BANKATLANTIC BANCORP INC
Form 10-K
March 17, 2008

Table of Contents

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

þ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Year Ended December 31, 2007

o **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	**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:
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 o NO þ

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

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

Indicate, by check mark, 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. o

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

Large accelerated filer o	Non-accelerated filer o	Accelerated filer þ	Small reporting company o

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

The aggregate market value of the voting common equity held by non-affiliates was $368 million computed by reference to the closing price of the Registrant s Class A Common Stock on June 30, 2007.

The number of shares of Registrant s Class A Common Stock outstanding on March 7, 2008 was 51,379,449. The number of shares of Registrant s Class B Common Stock outstanding on March 7, 2008 was 4,876,124.

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

TABLE OF CONTENTS

Table of Contents

PART I

ITEM I. BUSINESS

Except for historical information contained herein, the matters discussed in this document contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. When used in this document and in any documents incorporated by reference herein, the words anticipate, believe, estimate, may, intend, expect and similar expressions identify certain of forward-looking statements. 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; credit risks and loan losses, and the related sufficiency of the allowance for loan losses, including the impact on the performance of our loan portfolio, the credit quality of our assets and the value of our real estate owned of a sustained downturn in the real estate market and other changes in the real estate markets in our trade area, and where our collateral is located; the quality of our residential land acquisition and development loans and home equity loans, and conditions specifically in those market sectors; 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 capital markets and the impact of such conditions on our activities, the value of our assets and on the ability of our borrowers to service their debt obligations; BankAtlantic s seven-day banking initiatives and other growth, marketing or advertising initiatives not resulting in continued growth of core deposits or producing results which do not justify their costs; the success of our expense discipline initiatives and the ability to achieve additional cost savings; the success of BankAtlantic s new stores and achieving growth and profitability at stores in the time frames anticipated, if at all; and the impact of periodic testing of goodwill, deferred tax assets, and other intangible assets for impairment. Past performance, actual or estimated new account openings and growth rate may not be indicative of future results. Additionally, we hold a significant investment in the equity securities of Stifel Financial Corp. (Stifel) as a result of the sale of Ryan Beck Holdings, Inc. subjecting us to the risk of changes in the value of Stifel shares and warrants varying over time, and the risk that no gain on these securities will be realized. The earn-out amounts payable under the agreement with Stifel are contingent upon the performance of individuals and divisions of Ryan Beck which are now under the exclusive control and direction of Stifel, and there is no assurance that we will be entitled to receive any earn-out payments. 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 29 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 all periods presented.

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.

Table of Contents

As of December 31, 2007, we had total consolidated assets of approximately $6.4 billion and stockholders equity of approximately $459 million.

BankAtlantic

BankAtlantic is a federally-chartered, federally-insured savings bank organized in 1952. It is one of the largest financial institutions headquartered in Florida and provides traditional retail banking services and a wide range of business banking products and related financial services through a network of 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, business, consumer and small business loans,

purchasing wholesale residential loans, and

investing in mortgage-backed securities, tax certificates and other securities.

BankAtlantic s business strategy focuses on the following key areas:

Continuing its Florida s Most Convenient Bank Initiative. BankAtlantic began its Florida s Most Convenient Bank initiative in 2002, when it introduced seven-day banking and its free checking and free gift program in Florida. In addition to the seven-day strategy and extended lobby hours, BankAtlantic developed products, promotions and services that are an integral part of BankAtlantic s strategy of customer convenience and WOW! customer service, both intended to increase its core deposit accounts. BankAtlantic defines its core deposits as its demand deposit accounts, NOW checking accounts and savings accounts.

Increasing Core Deposits. From April, 2002, when the Florida s Most Convenient Bank initiative was launched, to December 31, 2007, BankAtlantic s core deposits increased 284% from approximately $600 million to approximately $2.3 billion. These core deposits represented 58% of BankAtlantic s total deposits at December 31, 2007, compared to 26% of total deposits at December 31, 2001. However, the growth of core deposits for the year ending December 31, 2007 has slowed as core deposits increased $64.5 million or 3% from their December 31, 2006 levels. We believe the slower growth was largely a result of current economic conditions and competition. In response to changes in market and economic conditions, BankAtlantic reduced its advertising expenditures and in December 2007, shortened its lobby and customer service hours. Even with the reduced hours, BankAtlantic s stores remain open seven days a week and are generally open more hours than its competitors. BankAtlantic anticipates a decline in short term interest rates during 2008 which it hopes will result in core deposit growth during 2008; however, increased competition, general economic conditions and the overall economy in Florida, in particular, may offset any favorable impact that declining interest rates may have on deposit growth.

Improving Operational Efficiencies in our Stores and Support Functions. Management is focused on improving its operating efficiencies during 2008. We anticipate consolidating back-office support facilities and reducing costs by subleasing or terminating lease contracts. We are also evaluating store and back-office support staffing levels with a view toward reducing costs which do not impact the quality of customer service. Additionally, we are seeking to implement technologies that we believe will reduce our customer service expenses. Based on the current economic environment, BankAtlantic decided in the fourth quarter of 2007 to delay its previously announced store expansion initiatives. As part of this decision, BankAtlantic has entered into an agreement with an unrelated financial institution to sell its five Orlando stores, is terminating certain lease agreements, seeking to sublease certain properties, and is attempting to sell land acquired for its store expansion program in all its markets. The sale of the Orlando stores is subject to regulatory approval.

2

Table of Contents

Conservative and Targeted Growth in Loan Portfolio. BankAtlantic is focused on growth of its retail banking business with an emphasis on generating small business and consumer loans as well as measured growth in commercial loans collateralized by income producing commercial real estate properties. The commercial real estate loan portfolio declined during 2007 as a result of the significant deterioration in the Florida residential real estate market. BankAtlantic continues to refine its underwriting criteria across all loan categories in response to the deterioration of the real estate market and overall slowing economic conditions.

Managing Credit Risk. BankAtlantic strives to maintain strong underwriting standards and has developed underwriting policies and procedures which it believes will enable it to offer products and services to its customers while minimizing its exposure to unnecessary credit risk. However, the residential real estate market in Florida is currently in a period of substantial decline and this has had an adverse impact on the credit quality of our commercial real estate and home equity loan portfolios. In response, BankAtlantic continues to refine its underwriting criteria across all loan categories. Additionally, our loan portfolio monitoring processes have been refined to include the following:

- A specialized land acquisition, development and construction loan committee to monitor developments affecting the collateral of commercial residential development loans;

- Additional resources to negotiate loan work-outs and if necessary supervise the collection process; and

- Additional loan review resources to support increased frequency of targeted loan reviews.

Maintaining and Strengthening our Capital Position. BankAtlantic exceeded all applicable regulatory capital requirements and was considered a well capitalized financial institution at December 31, 2007. See Regulation and Supervision Capital Requirements for an explanation of capital standards. Management has implemented initiatives to preserve capital in response to the current unfavorable economic environment. These initiatives include decreasing the amount of cash dividends, consolidating back-office facilities, reducing staffing levels, selling its Orlando stores and slowing our retail network expansion. Additionally, BankAtlantic Bancorp has $180.6 million of financial assets that may be used to contribute capital to BankAtlantic.

BankAtlantic offers a number of lending products to its customers. Its primary lending products include commercial real estate loans, commercial business loans, standby letters of credit and commitments, consumer loans, small business loans and residential 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. 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 to 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, 2007 was 741 and 67%, respectively. 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, 2007, BankAtlantic s residential loan portfolio included $1.1 billion of interest-only loans. The credit scores and loan-to-value ratios for interest-only loans are similar to amortizing loans. BankAtlantic attempts to manage the credit risk associated with these loans by purchasing interest-only loans originated to borrowers that it believes to be credit worthy, with loan-to-value and total debt to income ratios within agency guidelines. BankAtlantic does not purchase sub-prime or negative amortizing residential loans and loans in the purchased residential loan portfolio generally do not have prepayment penalties.

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 primarily made 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 with independent appraisers typically performing on-site inspections and valuations of the collateral. The outstanding balance of these loans at December 31, 2007 was $57 million.

Commercial Real Estate: BankAtlantic provides commercial real estate loans for acquisition, development and construction of various property types, as well as the refinancing and acquisition of existing income-producing properties. These loans are primarily secured by property located in Florida. Commercial real estate loans are originated in amounts based upon the appraised value of the collateral or estimated cost that 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.

There are three categories of loans in BankAtlantic s commercial residential development loan portfolio that we believe have significant exposure to declines in the Florida residential real estate market. The loan balance in these categories aggregated $503.1 million at December 31, 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 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. The land acquisition, development and construction loans are secured by residential land which is intended to 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.

Additionally, BankAtlantic sells participations in commercial real estate loans that it originates and administers the loan and provides to participants periodic reports on the progress of the project for which the loan was made. Major decisions regarding the loan are made by the participants on either a majority or unanimous basis. As a result, BankAtlantic generally cannot significantly modify the loan without either majority or unanimous consent of the participants. BankAtlantic s sale of loan participations reduces its exposure on individual projects and may be required in order to stay within the regulatory loans to one borrower limitations. BankAtlantic s internal policies generally limit loans to a maximum of $20 million and single borrower loan concentrations are generally limited to $40 million. BankAtlantic also purchases 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.

Consumer: Consumer loans are primarily loans to individuals originated through BankAtlantic s retail network and sales force. The majority of its originations are home equity lines of credit secured by a first or second mortgage on the primary residence of the borrower. 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. At origination, the home equity lines of credit portfolio had a weighted average loan-to-value, inclusive of first mortgages, of 67.0%, and a weighted average Beacon score of 706. Additionally, 70.0% of the portfolio balances were with borrowers who had Beacon scores of 700 or greater at the time of origination.

Small Business: BankAtlantic makes small business loans to companies located primarily in markets located in its store network areas. Small business loans are primarily originated on a secured basis and do not generally 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 primarily 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 typically have either fixed or variable prime-based interest rates.

4

Table of Contents

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 accounts receivable, 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 typically are originated for terms 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.

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

	As of December 31,									
	2007		2006		2005		2004		2003	
	Amount	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**	**Amount**	**Pct**
Loans receivable:										
Real estate loans:										
Residential	$2,156	47.66	2,151	46.81	2,030	43.92	2,057	45.16	1,343	36.99%
Consumer home equity	676	14.94	562	12.23	514	11.12	457	10.03	334	9.20
Construction and development	416	9.20	475	10.34	785	16.99	766	16.82	685	18.87
Commercial	882	19.49	973	21.17	979	21.18	1,004	22.04	997	27.46
Small business	212	4.69	187	4.07	152	3.29	124	2.72	108	2.97
Loans to Levitt Corporation		0.00		0.00		0.00	9	0.20	18	0.50
Other loans:										
Commercial business	131	2.90	157	3.42	88	1.90	93	2.04	116	3.19
Small business non-mortgage	106	2.34	98	2.13	83	1.80	67	1.47	52	1.43
Consumer	31	0.68	26	0.57	27	0.59	18	0.40	22	0.61
Residential loans held for sale	4	0.09	9	0.20	3	0.06	5	0.11	2	0.05
Total	4,614	101.99	4,638	100.94	4,661	100.85	4,600	100.99	3,677	101.27
Adjustments:										
Unearned discounts (premiums)	(4)	-0.09	(1)	-0.02	(2)	-0.04	(1)	-0.02		0.00
Allowance for loan losses	94	2.08	44	0.96	41	0.89	46	1.01	46	1.27
Total loans receivable, net	$4,524	100.00	4,595	100.00	4,622	100.00	4,555	100.00	3,631	100.00%

5

Table of Contents

BankAtlantic s real estate construction and development and commercial loans outstanding balances as of December 31, 2007 by loan category were as follows (in millions):

		Outstanding Balances
Land acquisition, development and construction loans	$	151
Construction loans collateralized by income producing properties		79
Nonresidential construction loans		186
Total construction and development	$	416
Builder land bank loans	$	150
Land acquisition and development loans		202
Non-residential land loans		102
Permanent commercial loans		428
Total commercial	$	882

In addition to its lending activities, BankAtlantic also invests in securities as described below:

Securities Available for Sale: BankAtlantic invests in obligations of the U.S. government or its agencies, such as mortgage-backed securities, real estate mortgage investment conduits (REMICs) and tax exempt municipal bonds, which are accounted for as securities available for sale. BankAtlantic sold its entire portfolio of tax exempt municipal bonds during 2007 as the tax-free returns on these securities were not currently as beneficial to the Company as in prior periods. BankAtlantic s securities available for sale portfolio at December 31, 2007 was of high credit quality and guaranteed by government sponsored enterprises reflecting BankAtlantic s attempt, to the extent possible, to minimize credit risk in its investment portfolio. The available for sale securities portfolio serves as a source of liquidity while at the same time providing a means to moderate the effects of interest rate changes. The decision to purchase and sell securities is based upon a current assessment of the economy, the interest rate environment and our liquidity requirements.

Tax Certificates: Tax certificates are evidences of tax obligations that are sold through auctions or bulk sales by various state and local taxing authorities. 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.

Derivative Investments: From time to time, based on market conditions, BankAtlantic writes call options on recently purchased agency securities (covered calls). Management believes that this periodic investment strategy may result in the generation of non-interest income or alternatively, the acquisition of agency securities on desirable terms. BankAtlantic had no derivative investments outstanding as of December 31, 2007.

Table of Contents

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

	Treasury and Agencies	Tax Certificates	Tax-Exempt Securities	Mortgage-Backed Securities	Bond And Other	Total	Weighted Average Yield
December 31, 2007							
Maturity: (1)							
One year or less	$	188,401			410	188,811	8.43%
After one through five years				135,479	271	135,750	4.74
After five through ten years				1,947		1,947	5.89
After ten years				651,035		651,035	5.41
Fair values (2)	$	188,401		788,461	681	977,543	5.90%
Amortized cost (2)	$	188,401		785,682	685	974,768	6.06%
Weighted average yield based on fair values		8.43		5.30	3.54	5.90	
Weighted average maturity (yrs)		1.0		19.63	1.22	16.01	
December 31, 2006							
Fair values (2)	$	195,391	397,244	361,750	675	955,060	6.17%
Amortized cost (2)	$	195,391	397,469	365,565	685	959,110	6.05%
December 31, 2005							
Fair values (2)	$1,000	163,726	388,566	381,540	585	935,417	5.45%
Amortized cost (2)	$ 998	163,726	392,130	387,178	585	944,617	5.20%

(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 $162.6, $88.6 million, and $95.1 million and a fair value of $179.5 million, $99.9 million, and $103.2 million, at December 31, 2007, 2006 and 2005, respectively, were excluded from the above table. At December 31, 2007, equities held by BankAtlantic with a cost of $750,000 and a fair value of $1.4 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, 2007 (1)			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Tax certificates and investment securities:				
Tax certificates:				
Cost equals market	$188,401			188,401
Securities available for sale:				
Investment securities:				

Cost equals market	235			235
Market over cost	450		4	446
Mortgage-backed securities :				
Cost equals market	18,959			18,959
Market over cost	612,539	5,737		618,276
Cost over market	154,184		2,958	151,226
Total	$974,768	5,737	2,962	977,543

Table of Contents

1) The above table excludes Parent Company equity securities with a cost of $162.6 million and a fair value of $179.5 million at December 31, 2007. At December 31, 2007, equities held by BankAtlantic with a cost of $750,000 and a fair value of $1.4 million was excluded from the above table.

Commencing in September 2006, BankAtlantic has from time to time invested in rental real estate and lending joint ventures where the joint venture partner is the managing partner. We account for these joint ventures under the equity method of accounting.

Income-Producing Real Estate Joint Venture Investments: These joint ventures acquire income-producing real estate properties that generally do not require extensive management with the strategy of re-selling the properties in a relatively short period of time, generally within one year. BankAtlantic had an investment of $1.7 million in one of these joint ventures as of December 31, 2007. The joint venture was liquidated in January 2008 and BankAtlantic has no current intention to invest in rental real estate joint ventures in 2008.

Lending Joint Venture: We have invested in a joint venture involved in the factoring of accounts receivable. At this time, BankAtlantic does not currently anticipate funding in excess of $5 million into this venture.

BankAtlantic utilizes deposits, secured advances and other borrowed funds to fund its lending and other activities.

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 advertising 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 initiatives, which includes extended lobby and customer service hours, free online banking and bill pay, and locations open seven days a week. While BankAtlantic s core deposits have historically produced solid results our products and pricing promotions may change in light of economic and market conditions. See note 12 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 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 13 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 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 15 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s Securities sold under agreements to repurchase borrowings.

Treasury tax and loan borrowings represent BankAtlantic s participation in the Federal Reserve Treasury Investment Program. Under this program the Federal Reserve places funds with BankAtlantic obtained from treasury tax and loan payments received by financial institutions. See note 14 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 flow requirements. BankAtlantic also has a facility with the Federal Reserve Bank of Atlanta for secured advances. These advances are collateralized by a security lien against its consumer loans. See note 14 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s federal funds borrowings.

BankAtlantic s other borrowings have floating interest rates and consist of a mortgage-backed bond and subordinated debentures. See note 16 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s other borrowings.

Parent Company

The Parent Company (Parent) operations are limited and primarily include the financing of the capital needs of BankAtlantic Bancorp and its subsidiaries and management of its subsidiaries and other investments. The Parent also has arrangements with BFC Financial Corporation (BFC) for BFC to provide certain human resources, insurance management, investor relations services, and other administrative services to the Parent and its subsidiaries and affiliates. The Parent obtains its funds from subsidiary dividends, issuances of equity and debt securities, proceeds from sales of investment securities and returns on portfolio investments. The Parent provides funds to its subsidiaries for capital, the financing of acquisitions and other general corporate purposes. The largest expense of the Parent Company is interest expense on debt, and the amount of this expense could increase or decrease significantly as much of its debt is indexed to floating rates. As a consequence of the sale of Ryan Beck to Stifel, the Parent s equity investments now include a concentration in Stifel equity securities. Stifel s common stock is publicly traded on the NYSE. In January 2008, we sold to Stifel 250,000 shares of Stifel common stock for a gain of $18,000 and received net proceeds of $10.6 million. We currently hold 2,127,354 shares of Stifel common stock, of which 542,452 shares are freely saleable and an additional 792,451 will be freely saleable after August 28, 2008 with all contractual sale restrictions lapsing on August 28, 2009. In March 2008, the Company offered for sale 1.6 million shares of its Stifel common stock in an underwritten public offering of shares of Stifel common stock. The Company may also provide the underwriters with an option to purchase additional shares of its Stifel common stock for thirty days after the initial closing solely to cover over-allotments. The sale price of the shares will be determined at the time a definitive underwriting agreement is entered into. Following the sale of the shares in the offering, Stifel has agreed to release any continuing sale restrictions on the remaining shares of Stifel common stock and warrants to acquire 481,724 shares of Stifel common stock held by the Company. There is no assurance that the offering will be consummated or that the shares will be sold.

A summary of the carrying value and gross unrealized appreciation or depreciation of estimated fair value of the Parent s securities follows (in thousands):

	December 31, 2007			
	Carrying Value	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Securities available for sale:				
Equity securities	$122,997	12,449		135,446
Investment securities:				
Investment securities (1)	39,617	4,468		44,085
Total	$162,614	16,917		179,531

	December 31, 2006			
	Carrying Value	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value

Securities available for sale:			
Equity securities	$82,134	9,554	91,688
Investment securities:			
Investment securities (1)	6,500	1,714	8,214
Total	$88,634	11,268	99,902

9

Table of Contents

(1) Investment securities in 2007 consist of Stifel common stock that is subject to restrictions for more than one year and are accounted for as investment securities at cost. Also included in investment securities at December 31, 2007 and 2006 were equity instruments purchased through private placements and are accounted for at historical cost adjusted for other-than-temporary declines in value.

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, 2007		December 31, 2006	
	Full-Time	Part-time	Full-time	Part-time
BankAtlantic Bancorp	7		8	
BankAtlantic	2,207	355	2,425	386
Total	2,214	355	2,433	386

Competition

The banking and financial services industry is very competitive. Legal and regulatory developments have made it easier for new and sometimes unregulated entities to compete with us. Consolidation among financial service providers has resulted in very large national and regional banking and financial institutions holding a large accumulation of assets. These institutions generally have significantly greater resources, a wider geographic presence or greater market accessibility than we have; thus creating increased competition. As consolidation continues among large banks, we expect additional smaller institutions to try to exploit our market. Our primary method of competition is emphasis on customer service and convenience, including our Florida s Most Convenient Bank initiatives.

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. 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 ability to generate the funds necessary for our lending operations.

Regulation and Supervision

Holding Company

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

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

Table of Contents

acquiring another savings institution or its holding company without prior written approval of the OTS;

acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings institution, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by HOLA; or

acquiring or retaining control of a depository institution that is not insured by the FDIC.

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

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

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

BankAtlantic

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

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

Regulation of Federal Savings Banks

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

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

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

Loans to One Borrower. Under HOLA, savings banks are generally subject to the same limits on loans to one borrower as are imposed on national banks. Generally, under these limits, the total amount of loans and extensions of credit made by a savings bank to one borrower or related group of borrowers outstanding at one time and not fully secured by collateral may not exceed 15% of the savings bank s unimpaired capital and unimpaired surplus. In addition to, and separate from, the 15% limitation, the total amount of loans and extensions of credit made by a savings bank to one borrower or related group of borrowers outstanding at one time and fully secured by readily-marketable collateral may not exceed 10% of the savings bank s unimpaired capital and unimpaired surplus. Readily-marketable collateral includes certain debt and equity securities and bullion, but generally does not include real estate. At December 31, 2007, BankAtlantic s limit on loans to one borrower was approximately $84.5 million. At December 31, 2007, BankAtlantic s largest aggregate amount of loans to one borrower was approximately $42.7 million and the second largest borrower had an aggregate balance of approximately $28.9 million.

QTL Test. HOLA requires a savings bank to meet a QTL test by maintaining at least 65% of its portfolio assets in certain qualified thrift investments on a monthly average basis in at least nine months out of every twelve months. A savings bank that fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. At December 31, 2007, BankAtlantic maintained approximately 82.2% of its portfolio assets in qualified thrift investments. BankAtlantic had also satisfied the QTL test in each of the nine months prior to December 2007 and, therefore, was a QTL.

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

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

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

At December 31, 2007, BankAtlantic exceeded all applicable regulatory capital requirements. See note #21 to the Notes to the Consolidated Financial Statements for actual capital amounts and ratios.

There currently are no regulatory capital requirements directly applicable to us as a unitary savings and loan holding company apart from the regulatory capital requirements for savings banks that are applicable to BankAtlantic.

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

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

BankAtlantic may not pay dividends to us 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 the OTS notified BankAtlantic that it was in need of more than normal supervision. Under the Federal Deposit Insurance Act, or FDIA, an insured depository institution such as BankAtlantic is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become undercapitalized. Payment of dividends by BankAtlantic also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.

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

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

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

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

- the complexity of the savings bank s operations, which results in an additional assessment based on a percentage of the basic assessment for any savings bank that has more than $1 billion in trust assets that it administers, loans that it services for others or assets covered by its recourse obligations or direct credit substitutes.

These assessments are paid semi-annually. BankAtlantic s assessment expense during the year ended December 31, 2007 was approximately $1.0 million.

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

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

- a lending test, to evaluate the institution s record of making loans in its designated assessment areas;

- an investment test, to evaluate the institution s record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and

- a service test, to evaluate the institution s delivery of banking services throughout its designated assessment area.

Table of Contents

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

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

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

- making or renewing a loan or other extension of credit to an affiliate;
- purchasing, or investing in, a security issued by an affiliate;
- purchasing an asset from an affiliate;
- accepting a security issued by an affiliate as collateral for a loan or other extension of credit to any person or entity; and
- issuing a guarantee, acceptance or letter of credit on behalf of an affiliate.

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

- making a loan or other extension of credit to an affiliate that is engaged in any non-bank holding company activity; and
- purchasing, or investing in, securities issued by an affiliate that is not a subsidiary.

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

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

Examination. A savings institution must demonstrate to the OTS its ability to manage its compliance responsibilities by establishing an effective and comprehensive oversight and monitoring program. The degree of compliance oversight and

14

monitoring by the institution s management determines the scope and intensity of the OTS examinations of the institution. Institutions with significant management oversight and monitoring of compliance will receive less intrusive OTS examinations than institutions with less oversight.

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

Shared National Credit Program. The Shared National Credit Program is an interagency program, established in 1977, to provide a periodic credit risk assessment of the largest and most complex syndicated loans held or agented by financial institutions subject to supervision by a federal bank regulatory agency. The Shared National Credit Program is administered by the FRB, FDIC, OTS and the Office of the Comptroller of the Currency. The Shared National Credit Program covers any loan or loan commitment of at least $20 million (i) which is shared under a formal lending agreement by three or more unaffiliated financial institutions or (ii) a portion of which is sold to two or more unaffiliated financial institutions with the purchasing financial institutions assuming their pro rata share of the credit risk. The Shared National Credit Program is designed to provide uniformity and efficiency in the federal banking agencies analysis and rating of the largest and most complex credit facilities in the country by avoiding duplicate credit reviews and ensuring consistency in rating determinations. The federal banking agencies use a combination of statistical and judgmental sampling techniques to select borrowers for review each year. The selected borrowers are reviewed and the credit quality rating assigned by the applicable federal banking agency s examination team will be reported to each financial institution that participates in the loan as of the examination date. The assigned ratings are used during examinations of the other financial institutions to avoid duplicate reviews and ensure consistent treatment of these loans. BankAtlantic has entered into participations with respect to its loans and has acquired participations in the loans of other financial institutions which are subject to this program and accordingly these loans may be subject to this additional review.

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

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

its total capital is at least 10% of its risk-weighted assets;

its core capital is at least 6% of its risk-weighted assets;

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

The most recent examination from the OTS categorized BankAtlantic as well capitalized.

Table of Contents

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

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

In an effort to improve the federal deposit insurance system, on January 1, 2007, the Federal Deposit Insurance Reform Act of 2005, or the Reform Act, became effective. The Reform Act, among other things, merged the Bank Insurance Fund and the Savings Association Insurance Fund, both of which were administered by the FDIC, into a new fund administered by the FDIC known as the Deposit Insurance Fund, or DIF, and increased the coverage limit for certain retirement plan deposits to $250,000, but maintained the basic insurance coverage limit of $100,000 for other depositors.

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 assessment rate depends on the risk category to which it is assigned. Insurance assessment rates now range from 5 cents per $100 in assessable deposits for a savings institution in the least risk category (i.e., well capitalized and financially sound with only a few minor weaknesses) to 43 cents per $100 in assessable deposits for a savings institution in the most risk category (i.e., undercapitalized and poses a substantial probability of loss to the DIF unless effective corrective action is taken).

The FDIC is authorized to raise the assessment rates in certain circumstances, which would affect savings institutions in all risk categories. The FDIC has exercised this authority several times in the past and could raise rates in the future. Increases in deposit insurance premiums could have an adverse effect on our earnings.

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

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

Federal Home Loan Bank System. BankAtlantic is a member of the Federal Home Loan Bank, or FHLB, of Atlanta, which is one of the twelve regional FHLB s composing the FHLB system. Each FHLB provides a central credit facility primarily for its member institutions as well as other entities involved in home mortgage lending. Any advances from a FHLB must be secured by specified types of collateral, and all long-term advances may be obtained only for the purpose of providing funds for residential housing finance. As a member of the FHLB of Atlanta, BankAtlantic is required to acquire and hold shares of capital stock in the FHLB. BankAtlantic was in compliance with this requirement with an investment in FHLB stock at December 31, 2007 of approximately $74.0 million. During the year ended December 31, 2007, the FHLB of Atlanta paid dividends of approximately $4.4 million on the capital stock held by BankAtlantic. If dividends were reduced or interest on future FHLB advances increased, BankAtlantic s net interest income would likely also be reduced.

Federal Reserve System. BankAtlantic is subject to provisions of the FRA and the FRB s regulations, pursuant to which depository institutions may be required to maintain non-interest-earning reserves against their deposit accounts and certain other liabilities. Currently, federal savings banks must maintain reserves against transaction accounts (primarily NOW and regular interest and non-interest bearing checking accounts). The FRB regulations establish the specific rates of reserves that must be maintained, which are subject to adjustment by the FRB. BankAtlantic is currently in compliance with those reserve requirements. The required reserves must be maintained in the form of vault cash, a non-interest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the FRB. The effect of this reserve requirement is to reduce interest-earning assets. FHLB system members are also authorized to borrow from the Federal Reserve discount window, but FRB regulations require such institutions to exhaust all FHLB sources before borrowing from a Federal Reserve Bank.

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

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

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

Additionally, the USA PATRIOT Act requires each financial institution to develop a customer identification program, or CIP, as part of its anti-money laundering program. The key components of the CIP are identification, verification, government list comparison, notice and record retention. The purpose of the CIP is to enable the financial institution to determine the true identity and anticipated account activity of each customer. To make this determination, among other things, the financial institution must collect certain information from customers at the time they enter into the customer relationship with the financial institution. This information must be verified within a reasonable time through documentary and non-documentary methods. Furthermore, all customers must be screened against any CIP-related government lists of known or suspected terrorists. In 2004, deficiencies were identified in BankAtlantic s compliance with anti-terrorism and anti-money laundering laws and regulations and BankAtlantic entered into agreements regarding its ongoing compliance and was required to pay fines associated with its past deficiencies. In November 2007, the Office of Thrift Supervision terminated the April 2006 Cease and Desist Order entered into by BankAtlantic as a result of previous deficiencies in its compliance with the Bank Secrecy Act. The OTS determined that it was appropriate to terminate the Cease and Desist Order after its examinations of BankAtlantic indicated BankAtlantic s significant compliance with the terms of the

Cease and Desist Order (see Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operation BankAtlantic Liquidity and Capital Resources).

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

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

ITEM 1A. RISK FACTORS

BankAtlantic

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

The deterioration of economic conditions in the Florida residential real estate market during 2007, and the continued decline in home sales and median home prices year-over-year in all major metropolitan areas in Florida, resulted in a substantial increase in non-performing assets and our provision for loan losses. The housing industry is experiencing what many consider to be its worst downturn in 16 years and market conditions have continued to worsen throughout 2007 and into 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. Additionally, certain national and regional home builders have sought or indicated that they may seek bankruptcy protection. If these market conditions do not improve during 2008 or deteriorate further, or if these market conditions and slowing economy negatively impact the commercial non-residential real estate market, our earnings and financial condition may be adversely impacted because a significant portion of our loans are secured by real estate in Florida, and the level of business deposits from customers dependent on the Florida real estate market and the Florida economy in general may decline. BankAtlantic s loan portfolio included $2.6 billion of loans concentrated in Florida, which represented approximately 60% of its loan portfolio.

BankAtlantic s loan portfolio is concentrated in real estate lending which makes its loan portfolio more susceptible to credit losses in the current depressed real estate market.

The national real estate market declined significantly during 2007, particularly in Florida, our primary lending area. Our loan portfolio is concentrated in commercial real estate loans (virtually all of which are located in Florida and many of which involve residential land development), residential mortgages (nationwide), and consumer home-equity loans (throughout our markets in Florida). We have a heightened exposure to credit losses that may arise from this concentration as a result of the significant downturn in the real estate sector.

We have identified three categories of loans in our commercial residential development loan portfolio that we believe have significant exposure to the declines in the Florida residential real estate market. These categories are as follows:

The builder land bank loan category consists of 12 loans and aggregates $149.6 million. This category consists of land loans to borrowers who have or had land purchase option agreements with regional and/or national builders. These

18

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 number of homebuilders who have publicly announced that they are, or are contemplating, terminating these options or seeking bankruptcy protection substantially increases the risk that the lots will not be acquired as contemplated. Six loans in this category totaling $86.5 million were on non-accrual at December 31, 2007.

The land acquisition and development loan category consists of 34 loans and aggregates $202.2 million and 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. Two loans in this category totaling $7.3 million were on non-accrual at December 31, 2007.

The land acquisition, development and construction loan category consists of 29 loans and aggregates $151.3 million. 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. Seven loans in this category totaling $57.2 million were on non-accrual at December 31, 2007.

Market conditions may result in BankAtlantic s 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 economic environment continues for a prolonged period of time or deteriorates further, collateral values may further decline and are likely to result in increased credit losses in these loans.

Included in the commercial real estate loans are approximately $102 million of commercial non-residential land development loans. Our commercial mortgage non-residential loan portfolio has performed better than our commercial residential development loan portfolio in the current real estate market environment. However, this portfolio could be susceptible to extended maturities or borrower default, and we could experience higher credit losses and non-performing loans in this portfolio as the Florida economy is showing signs of a slow down, capital markets involving commercial real estate loans have recently deteriorated, broader non residential real estate market conditions have begun to show signs of weakness and lenders have begun to tighten credit standards and limit availability of financing.

BankAtlantic s commercial real estate loan portfolio includes large lending relationships, including relationships with unaffiliated borrowers involving lending commitments in each case in excess of $30 million. These relationships represented eight borrowers with an aggregate outstanding balance of $240 million as of December 31, 2007. Defaults by any of these borrowers could have a material adverse effect on BankAtlantic s results.

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

The decline in residential real estate prices and residential home sales throughout Florida has resulted in an increase in mortgage delinquencies and higher foreclosure rates. Additionally, in response to the turmoil in the credit markets, financial institutions have tightened underwriting standards which has limited borrowers ability to refinance. These conditions have adversely impacted delinquencies and credit loss trends in our home equity loan portfolio and it does not currently appear that these conditions will improve in the near term. Approximately 80% of the loans in our home equity portfolio are residential second mortgages and if current economic conditions deteriorate for borrowers and their home prices continue to fall, we may experience higher credit losses from this loan portfolio. Since the collateral for this portfolio primarily consists of second mortgages, it is unlikely that we will be successful in recovering all or any portion of our loan proceeds in the event of a default unless we are prepared to repay the first mortgage and such repayment and the costs associated with a foreclosure are justified by the value of the property.

Table of Contents

BankAtlantic s loan portfolio subjects it to high levels of credit risk.

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

BankAtlantic attempts to manage credit exposure to individual borrowers and counter-parties on an aggregate basis including loans, securities, letters of credit, derivatives and unfunded commitments. While credit personnel analyze the creditworthiness of individual borrowers or counter-parties, and limits are established for the total credit exposure to any one borrower or counter-party, such limits may not have the effect of adequately limiting credit exposure. BankAtlantic also enters into participation agreements with or acquires participation interests from other lenders to limit its credit risk, but will be subject to risks with respect to its interest in the loan and will not be in a position to make independent determinations in its sole discretion with respect to its interests.

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

Approximately 50% of our purchased residential loan portfolio (approximately $1.1 billion) consists of interest-only loans. While these loans are not considered sub-prime or negative amortizing loans, they are non-traditional loans due to reduced initial loan payments with the potential for significant increases in monthly loan payments in subsequent periods, even if interest rates do not rise, as required amortization of the principal commences. Monthly loan payments will also increase as interest rates increase. This presents a potential repayment risk if the borrower is unable to meet the higher debt service obligations or refinance the loan. As previously noted, current economic conditions in the residential real estate markets and the mortgage finance markets have made it more difficult for borrowers to refinance their mortgages.

Increase in the 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 evaluates the collectibility of its 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 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. If BankAtlantic s evaluation is incorrect and borrower defaults cause losses exceeding the portion of the allowance for loan losses allocated to those loans, our earnings could be significantly and adversely affected. BankAtlantic may experience losses in its loan portfolios or perceive adverse trends that require it to significantly increase its allowance for loan losses in the future, which would reduce future earnings. In addition, BankAtlantic s regulators may require it to increase

or decrease its allowance for loan losses even if BankAtlantic thinks such change is unjustified.

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 and the real estate collateralizing its commercial real estate loans and its home equity loans are primarily concentrated in Florida. As a result, we are exposed to geographic risks, and any economic downturn in Florida, including unemployment, declines in tourism, the declining real estate market, or adverse changes in laws and regulations in Florida would have a negative impact on our revenues, financial condition and business. Further, the State of Florida is subject to the risks of natural disasters such as tropical storms and hurricanes. The occurrence of an economic downturn in Florida, adverse changes in laws or regulations in Florida or natural disasters could impact the credit quality of BankAtlantic s assets, growth, the level of deposits our customers maintain with BankAtlantic, the success of BankAtlantic s customers business activities, and the ability of BankAtlantic to operate profitably.

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, we cannot provide assurances that BankAtlantic will be successful in doing so.

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

- it amortizes premiums on acquired loans and securities, and if loans 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. 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

Table of Contents

interest rates rise and debt service obligations increase.

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

During most of 2007, the short term interest rates were approximately equal to longer term rates. This is referred to as a flat yield curve. BankAtlantic s net interest income is largely derived from a combination of two factors: the level of core deposits, such as demand savings and NOW deposits, and the ability of banks to raise short term deposits and other borrowings and invest them at longer maturities. The flat yield curve during 2007 significantly impacted the ability of BankAtlantic to profitably raise short term funds for longer term investment as the interest rate spread between short term and long term maturities was negligible. While the recent decline in interest rates and the widening of interest rate spreads between long-term and short term interest rates could lessen the negative impact of a flat yield curve on our net interest income, future patterns of interest rates, including the relationship between short term and long term rates, and its overall impact on our net interest income is very difficult to predict.

BankAtlantic s Florida s Most Convenient Bank initiative and related infrastructure expansion to support a larger organization has resulted in higher operating expenses, which has had an adverse impact on our earnings.

BankAtlantic s Florida s Most Convenient Bank initiative, the opening of 32 stores since January 2005 and the related expansion of our infrastructure and operations have required us to provide additional management resources, hire additional personnel, increase compensation, occupancy and marketing expenditures, and take steps to enhance and expand our operational and management information systems. Employee compensation, occupancy and equipment and advertising expenses have significantly increased since the inception of the initiative, during 2002, from $78.9 million during 2001 to $234.3 million during 2007.

During the three years ended December 31, 2007, BankAtlantic opened 32 new stores. In 2007, in response to the current economic environment and its impact on BankAtlantic s financial results, BankAtlantic slowed its retail network expansion and reduced its service hours in an effort to reduce operating expenses. Despite this decision to slow future store expansion, we will continue to incur increased operating expenses, compared to historical levels, resulting from the new stores opened during the last three years and the anticipated opening of four new stores during the first quarter of 2008. While BankAtlantic s management is focused on reducing overall non-interest expense, there is no assurance that BankAtlantic will be successful in its efforts to reduce operating expenses.

BankAtlantic s new stores may not achieve profitability.

Since January 2005, BankAtlantic has opened 32 stores and anticipates opening four stores during 2008. In the current adverse economic environment, the amount of time required for these new stores to become profitable is uncertain and the growth in deposits and loans at these stores may not meet management s expectations. The new stores are located throughout Florida and represent a 51% increase, based on the number of stores, in BankAtlantic s retail network. There is no assurance that BankAtlantic will be successful in managing this expanded retail network profitably.

BankAtlantic obtains a significant portion of its non-interest income through service charges on core deposit accounts.

BankAtlantic s core deposit account growth has generated a substantial amount of service charge income. The largest component of this service charge income is overdraft fees. Changes in customer behavior as well as increased competition from other financial institutions could result in declines in core deposit accounts or in overdraft frequency resulting in a decline in service charge income. Also, the downturn in the Florida economy could result in an increase in overdraft fee charge-offs and a corresponding increase in our overdraft fee reserves. Additionally, future changes in banking regulations, in particular limitations on retail customer fees, may impact this revenue source. Any of such changes could have a material adverse effect on BankAtlantic s results.

Regulatory Compliance.

The banking industry is an industry subject to multiple layers of regulation. A risk of doing business in the banking industry is that a failure to comply with any of these regulations can result in substantial penalties, significant restrictions on business activities and growth plans and/or limitations on dividend payments, depending upon the type of violation and various other factors. As a holding company, BankAtlantic Bancorp is also subject to significant regulation. For a description of the primary regulations applicable to BankAtlantic and BankAtlantic Bancorp see Regulations and Supervision .

Parent Company

BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits.

BankAtlantic Bancorp is a holding company and dividends from BankAtlantic represent a significant portion of its cash flows. BankAtlantic Bancorp uses dividends from BankAtlantic to service its debt obligations and to pay dividends on its capital stock.

BankAtlantic s ability to pay dividends or make other capital distributions to BankAtlantic Bancorp is subject to regulatory limitations and the authority of the OTS and the FDIC.

Generally, BankAtlantic may make a capital distribution without prior OTS approval in an amount equal to BankAtlantic s net income for the current calendar year to date, plus retained net income for the previous two years, provided that BankAtlantic does not become under-capitalized as a result of the distribution. At December 31, 2007, BankAtlantic s accumulated deficit for the previous two years was $23.7 million and accordingly, BankAtlantic is required to obtain approval from the OTS in order to make capital distributions to BankAtlantic Bancorp. There is no assurance that the OTS will approve future capital distributions to BankAtlantic Bancorp.

The OTS may object to any capital distribution if it believes the distribution will be unsafe and unsound. The OTS is not likely to approve any distribution that would cause BankAtlantic to fail to meet its capital requirements on a pro forma basis after giving effect to the proposed distribution. The FDIC has backup authority to take enforcement action if it believes that a capital distribution by BankAtlantic constitutes an unsafe or unsound action or practice, even if the OTS has cleared the distribution.

At December 31, 2007, BankAtlantic Bancorp had approximately $294.2 million of indebtedness outstanding at the holding company level with maturities ranging from 2032 through 2037. The aggregate annual interest expense on this indebtedness is approximately $23.1 million based on interest rates at December 31, 2007 and is generally indexed to three-month LIBOR. During 2007, BankAtlantic Bancorp received $20 million of dividends from BankAtlantic. BankAtlantic Bancorp s financial condition and results would be adversely affected if the amounts needed to satisfy its debt obligations, including any additional indebtedness incurred in the future, significantly exceed the amount of dividends it receives from its subsidiaries.

We are controlled by BFC Financial Corporation and its control position may adversely affect the market price of our Class A common stock.

As of December 31, 2007, BFC Financial Corporation (BFC) owned all of the Company s issued and outstanding Class B common stock and 8,329,236 shares, or approximately 15%, of the Company s issued and outstanding Class A common stock. BFC s holdings represent approximately 55% of the Company s total voting power. Class A common stock and Class B common stock vote as a single group on most matters. Accordingly, BFC is 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 our Class A common stock vote as a separate class. BFC s control position may have an adverse effect on the market price of the Company s Class A common stock.

Table of Contents

Our activities and our subsidiary s activities are subject to regulatory requirements that could have a material adverse effect on our business.

The Company is a grandfathered unitary savings and loan holding company and has broad authority to engage in various types of business activities. The OTS can prevent 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. The OTS may also:

limit the payment of dividends by BankAtlantic to us;

limit transactions between us, BankAtlantic and the subsidiaries or affiliates of either;

limit our activities and the activities of BankAtlantic; or

impose capital requirements on us.

Unlike bank holding companies, as a unitary savings and loan holding company we are not subject to capital requirements. However, the OTS has indicated that it may, in the future, impose capital requirements on savings and loan holding companies. The OTS may in the future adopt regulations that would affect our operations including our ability to pay dividends or to engage in certain transactions or activities. See Regulation and Supervision Holding Company.

Our portfolio of equity securities subjects us to equity pricing risks.

We maintain a portfolio of equity securities in both publicly traded and privately held companies that subject us to equity pricing risks arising in connection with changes in the values due to changing market and economic conditions. Volatility or a decline in the financial markets can negatively impact our net income as a result of devaluation of these investments and the subsequent recognition of other-than-temporary declines in value. At December 31, 2007, we had equity securities with a book value of approximately $123.0 million. See Quantitative and Qualitative Disclosures About Market Risk.

In connection with the sale of Ryan Beck to Stifel in February 2007, we received approximately 2,377,354 shares of Stifel common stock and warrants to acquire 481,724 shares of Stifel common stock at $36.00 per share. In addition to limitations imposed by federal securities laws, we are subject to contractual restrictions which limit the number of Stifel shares that we are permitted to sell in the open market during the 18 month period following the sale . Even after these restrictions lapse, the trading market for Stifel shares may not be sufficiently liquid to enable us to sell Stifel common stock that we own without significantly reducing the market price of these shares, if we are able to sell them at all. In January 2008, we sold 250,000 shares of Stifel common stock to Stifel for net proceeds of $10.6 million.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

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, 2007:

	Miami - Dade	Broward	Palm Beach	Tampa Bay	Orlando / Jacksonville
Owned full-service stores	9	12	25	7	2
Leased full-service stores	13	11	5	8	1
Ground leased full-service stores (1)	2	3	1	3	1
Total full-service stores	24	26	31	18	4
Lease expiration dates	2008-2026	2008-2015	2008-2012	2008-2026	2014
Ground lease expiration dates	2026-2027	2017-2072	2026	2026	2027

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

The following table sets forth leased drive-through facilities, executed ground leases for store expansion, leased back-office facilities and leased loan production offices by region at December 31, 2007:

	Miami - Dade	Broward	Palm Beach	Tampa Bay	Orlando / Jacksonville
Leased drive-through facilities	1	2			
Leased drive through expiration dates	2010	2011-2014			
Leased back-office facilities		3		1	1
Leased back-office expiration dates		2009-2011		2011	2013
Leased loan production facilities	1			1	2
Leased loan production expiration dates	2009			2009	2009-2011

As of December 31, 2007, BankAtlantic has executed 16 operating leases for store expansion. Due to management s decision to slow store expansion, BankAtlantic is currently seeking to sublease or terminate 12 of these operating leases. BankAtlantic has entered into an agreement with an unrelated financial institution for the sale of its Orlando stores, and is attempting to sell land originally acquired for store expansion.

Miami -		Palm	Tampa	Orlando /

	Dade	Broward	Beach	Bay	Jacksonville
Executed leases for expansion	1	1		2	
Executed lease expiration dates	2017	2029		2027-2028	
Executed leases held for sublease		2	1	3	6
Executed lease expiration dates		2012-2029	2028	2027-2048	2027-2029
Land held for sale			1	1	6

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

Joseph C. Hubbard, individually and on behalf of all others similarly situated, vs. BankAtlantic Bancorp, Inc., James A. White, Valerie C. Toalson, Jarett S. Levan, and Alan B. Levan, No. 0:07-cv-61542-UU, United States District Court, Southern District of Florida

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

Separately, we have received shareholder demands for an independent investigation and a derivative lawsuit to be brought on behalf of the Company against those individuals determined to be responsible for substantially the same improper and illegal actions as are alleged in the Complaint. 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 BankAtlantic and the above-listed officers, directors, employees, and organizations. The Complaint alleges that during the purported class period of November 9, 2005 to present, BankAtlantic and the individual defendants violated the Employment Retirement Income Security Act (ERISA) by permitting company employees to choose to invest in the Company s Class A common stock in light of the facts alleged in the *Hubbard* securities lawsuit. The Complaint seeks to assert claims for breach of fiduciary duties, the duty to provide accurate information, the duty to avoid conflicts of interest under ERISA and seeks unspecified damages. The Company believes the claims to be without merit and intends to vigorously defend the actions.

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 all current legal actions, the outcome of various legal actions is uncertain. Management does not believe its results of operations or financial condition will be materially impacted by the resolution of these matters.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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 March 7, 2008, there were approximately 718 record holders and 51,379,449 shares of the Class A common stock issued and outstanding. In addition, there were 4,876,124 shares of Class B common stock outstanding at March 7, 2008.

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, 2007	$ 13.98	$ 2.89
Fourth quarter	9.60	2.89
Third quarter	9.25	7.50
Second quarter	11.25	8.38
First quarter	13.98	10.87
For the year ended December 31, 2006	$ 15.99	$ 12.66
Fourth quarter	13.94	12.66
Third quarter	14.97	12.96
Second quarter	15.99	13.86
First quarter	15.23	12.67

Because our Class A common stock is listed on the New York Stock Exchange, our chief executive officer is required to make, and he has made, an annual certification to the New York Stock Exchange stating that he was not aware of any violation by us of the corporate governance listing standards of the New York Stock Exchange. Our chief executive officer made his annual certification to that effect to the New York Stock Exchange on June 13, 2007. In addition, we have filed, as exhibits to this Annual Report on Form 10-K, the certifications of our principal executive officer and principal financial officer required under Sections 906 and 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of our public disclosure.

Subject to the results of operations and regulatory capital requirements, the Company has indicated that it will seek to declare regular quarterly cash dividends on its common stock. The declaration and payment of dividends will depend upon, among other things, the results of operations, financial condition and cash requirements of the Company and on the ability of BankAtlantic to pay dividends or otherwise advance funds to the Company, which payments and distributions are subject to OTS approval and regulations and based upon BankAtlantic s regulatory capital levels and net income. See Risk Factors BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits and see Regulation and Supervision Limitation on Capital Distributions and Management s Discussion and Analysis Liquidity and Capital Resources for a description of certain limitations on the payment of dividends by our subsidiaries to the Company. BankAtlantic paid $20.0 million of dividends to the Company during each of the years ended December 31, 2007 and 2006.

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, 2007	$ 0.1282	$ 0.1282
Fourth quarter	0.0050	0.0050
Third quarter	0.0412	0.0412
Second quarter	0.0410	0.0410
First quarter	0.0410	0.0410
Fiscal year ended December 31, 2006	$ 0.1580	$ 0.1580
Fourth quarter	0.0410	0.0410
Third quarter	0.0410	0.0410
Second quarter	0.0380	0.0380
First quarter	0.0380	0.0380

The following table lists all securities authorized for issuance and outstanding under the Company s equity compensation plans at December 31, 2007:

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans excluding outstanding options
Equity compensation plans approved by security holders	5,269,107	$ 11.28	3,459,860
Equity compensation plans not approved by security holders	42,937(1)	4.89	
Total	5,312,044	$ 11.23	3,459,860

(1) During 1999, non-qualifying options for 751 shares of Class A common stock

were granted to each employee of BankAtlantic, other than executive officers, under the BankAtlantic Bancorp 1999 non-qualifying stock option plan. The options were granted with exercise prices equal to the fair value on the grant date with a ten year term. All outstanding options under the BankAtlantic Bancorp 1999 non-qualifying stock option plan were vested as of December 31, 2004.

On May 2, 2006, BankAtlantic Bancorp s Board of Directors approved the repurchase of up to 6 million shares of its Class A common stock through open market or private transactions. During the year ended December 31, 2007 and 2006, the Company repurchased and retired 5,440,300 and 559,700 shares of its Class A common stock for $53.8 million and $7.8 million, respectively. The Company repurchased a total of 6 million shares under this program.

On September 11, 2007 the Company s Board of Directors approved the repurchase of an additional 6 million shares of Class A common stock. The shares may be purchased on the open market or through private transactions. The timing and the amount of the repurchases, if any, will depend on the market conditions, share price, trading volume and other factors. As of December 31, 2007 no shares had been repurchased under this program.

Table of Contents

Shareholder Return Performance Graph

Set forth below is a graph comparing the cumulative total returns (assuming reinvestment of dividends) for the Class A Stock, the Standard and Poor s 500 Stock Index and NASDAQ Bank Stocks and assumes $100 is invested on December 31, 2002.

	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Standard and Poor s 500 Stock Index	126.39	137.74	141.88	161.20	166.88
Nasdaq Bank Stocks	129.94	144.23	137.98	152.21	118.61
BankAtlantic Bancorp, Inc.	201.06	285.28	200.71	200.13	59.42

Table of Contents

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands except share and per share data)	For the Years Ended December 31, 2007	2006	2005	2004	2003
Income Statement					
Total interest income	$ 371,633	367,177	345,894	249,204	251,412
Total interest expense	192,857	167,057	141,909	86,798	111,934
Net interest income	178,776	200,120	203,985	162,406	139,478
Provision for (recovery from) loan losses	70,842	8,574	(6,615)	(5,109)	(547)
Securities activities, net	8,412	9,813	847	3,730	(1,553)
Litigation settlement				22,840	
Other non-interest income	143,420	132,803	101,452	86,415	72,328
Restructuring charges, impairments and exit activities	8,351		3,706	257	1,007
Other non-interest expense	308,999	300,186	243,264	198,736	164,341
(Loss) income from continuing operations before income taxes	(57,584)	33,976	65,929	81,507	45,452
(Benefit) provision for income taxes	(27,572)	7,097	23,403	28,222	16,500
(Loss) income from continuing operations	(30,012)	26,879	42,526	53,285	28,952
Discontinued operations, net of tax (5)	7,812	(11,492)	16,656	17,483	38,765
Net (loss) income	$ (22,200)	15,387	59,182	70,768	67,717
Performance ratios					
Return on average assets (1)	(0.47)	0.42	0.64	1.01	0.52%
Return on average equity (1)	(5.91)	5.12	8.42	11.98	5.88
Average equity to average assets	7.91	8.19	7.65	8.40	8.92
Dividend payout ratio (2)	(24.79)	36.01	20.83	15.25	25.99

(In thousands except share and per share data)	For the Years Ended December 31, 2007	2006	2005	2004	2003
Diluted earnings per share					
Diluted (loss) earnings from continuing operations	$ (0.52)	0.43	0.67	0.85	0.46
Diluted earnings (loss) per share from discontinued operations (5)	0.14	(0.18)	0.25	0.26	0.62
Diluted (loss) earnings per share	$ (0.38)	0.25	0.92	1.11	1.08
Per common share data					
Cash dividends declared per common share Class A	$ 0.128	0.158	0.146	0.136	0.128
Cash dividends declared per common share Class B	0.128	0.158	0.146	0.136	0.128
Book value per share (3)	8.19	8.60	8.50	7.81	6.98

Tangible book value per share (3)	6.84	7.23	7.10	6.36	5.48

31

Table of Contents

(In thousands except share and per share data)	As of December 31, 2007	2006	2005	2004	2003
Balance Sheet (at year end)					
Loans, net	$ 4,524,188	4,595,920	4,624,772	4,599,048	3,686,153
Securities	1,169,673	1,059,111	1,042,217	1,070,691	551,217
Total assets	6,378,817	6,495,662	6,471,411	6,356,777	4,831,549
Deposits	3,953,405	3,867,036	3,752,676	3,457,202	3,058,142
Securities sold under agreements to repurchase and other short term borrowings	167,240	133,958	255,501	401,643	138,809
Other borrowings (4)	1,717,893	1,810,247	1,724,160	1,845,504	1,082,066
Stockholders equity	459,321	524,982	516,336	469,265	413,452
Asset quality ratios for BankAtlantic					
Non-performing assets, net of reserves, as a percent of total loans, tax certificates and repossessed assets	4.10	0.55	0.17	0.19	0.36%
Loan loss allowance as a percent of non-performing loans	52.65	982.89	605.68	582.18	422.06
Loan loss allowance as a percent of total loans	2.04	0.94	0.88	1.00	1.24
Capital ratios for BankAtlantic:					
Total risk based capital	11.63	12.08	11.50	10.80	12.06%
Tier I risk based capital	9.85	10.50	10.02	9.19	10.22
Leverage	6.94	7.55	7.42	6.83	8.52

1. The return on average assets is equal to income from continuing operations (numerator) divided by average consolidated assets (denominator) during the respective year. The return on average equity is equal to income from continuing operations (numerator) divided by average consolidated equity (denominator) during the respective year. Income from continuing operations excludes the income from Levitt Corporation for the year ended

December 31, 2003 and the income from Ryan Beck Holdings, Inc. for all periods presented. While income from continuing operations (numerator) excludes income from these discontinued operations, average consolidated assets includes the assets of the discontinued operations. Average consolidated equity (denominator) was not adjusted for the $126 million reduction in retained earnings related to the December 31, 2003 spin-off of Levitt Corporation.

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

3. The denominator of book value and tangible 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. Secured borrowings were recognized on 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.

5. Discontinued operations includes the earnings of Levitt Corporation during the year ended December 31, 2003 and includes the earnings of Ryan Beck for each of the years in the five year period ending December 31, 2007.

Table of Contents

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

Introduction

BankAtlantic Bancorp, Inc. is a Florida-based financial services holding company offering a full range of products and services through BankAtlantic, our wholly-owned banking subsidiary. As of December 31, 2007, we had total consolidated assets of approximately $6.4 billion, deposits of approximately $4.0 billion and shareholders equity of approximately $459 million. We operate through two primary business segments: BankAtlantic and the Parent Company.

On February 28, 2007 the Company completed the sale to Stifel Financial Corp. (Stifel) of Ryan Beck Holdings, Inc. (Ryan Beck), a subsidiary engaged in retail and institutional brokerage and investment banking. As a consequence of the sale of Ryan Beck to Stifel, the results of operations of Ryan Beck are presented as Discontinued Operations in the Company s Consolidated Financial Statements.

Consolidated Results of Operations

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

	For the Years Ended December 31,		
	2007	2006	2005
BankAtlantic	$ (19,440)	$ 36,322	$ 55,820
Parent Co.	(10,572)	(9,443)	(13,294)
Net (loss) income	$ (30,012)	$ 26,879	$ 42,526

The significant decline in BankAtlantic s earnings during 2007 reflects $70.8 million of provisions for loan losses and $20.9 million of restructuring charges and long-lived asset impairments. The allowance for loan losses during 2007 was significantly increased in response to the rapid deterioration in the Florida residential real estate market and the associated rapid and substantial increase in non-performing loans and classified assets. Restructuring charges of $5.8 million relate to management s decision to slow BankAtlantic s retail network expansion and consolidate its call center operations. This restructuring includes selling its Orlando stores, selling properties and terminating or subleasing properties under executed lease contracts entered into for store expansion. BankAtlantic also incurred $2.5 million of restructuring charges associated with its March 2007 workforce reduction and impairment write-downs of $12.5 million in connection with a real estate development owned by the bank and a real estate owned property. Other factors contributing to the 2007 loss were net interest margin compression and costs associated with opening new stores. BankAtlantic s 2007 net interest income declined by $20.1 million from 2006 reflecting an increase in its cost of funds due to growth in higher cost deposit products and lower yields on earning assets due to a change in the mix of loan products and increased nonperforming assets. BankAtlantic opened 15 new stores during 2007 and 13 new stores during 2006. The opening and operating costs of these new stores exceeded revenues of these stores during the 2007 periods which had a negative impact on earnings. BankAtlantic s results during 2007 compared to the same 2006 period were favorably impacted by lower advertising costs of $15.0 million and higher retail banking service fees of $13.6 million. During the fourth quarter of 2006, management decided to reduce advertising expenditures in response to reduced deposit growth. The additional service fees primarily resulted from higher overdraft, interchange and surcharge income from increased volume of customer transactions.

The higher Parent Company net loss during 2007 compared to 2006 resulted from a $3.3 million other-than-temporary impairment charge associated with a private limited partnership and higher net interest expense due to the issuance of $30.9 million of junior subordinated debentures. The Parent Company did not recognize impairment charges during the year ended December 31, 2006. Parent Company segment operations were favorably impacted by a significant reduction of performance based bonuses during 2007 compared to 2006 due to a decline in the Company s operating results for the year ended December 31, 2007.

The decline in income from continuing operations during 2006 compared to 2005 was primarily due to lower earnings at BankAtlantic primarily as a result of a substantial increase in BankAtlantic s non-interest expense, an $8.6 million provision for loan losses during 2006 compared to a negative provision for loan losses of ($6.6) million during 2005 and a decline in net interest income. The above declines in BankAtlantic s 2006 segment net income were partially offset by an increase in non-interest income associated with higher revenue from customer service charges and transaction fees linked to growth in deposit accounts.

The increase in BankAtlantic s non-interest expense during 2006 compared to 2005 resulted from BankAtlantic s growth initiatives and store expansion program as well as BankAtlantic s *Florida s Most Convenient Bank* program. These initiatives resulted in a substantial increase in compensation, occupancy and advertising costs.

The Parent Company segment experienced lower losses during 2006 compared to 2005 as a result of gains realized on the sale of equity securities from managed funds. These securities gains were partially offset by an increase in interest expense on borrowings based on higher interest rates during 2006 compared to 2005.

Results from discontinued operations relating to the Ryan Beck segment was income of $7.8 million during 2007 compared to a loss of $11.5 million during 2006 and earnings of $16.7 million during 2005. Ryan Beck s 2007 income reflects a $16.4 million gain from the sale of Ryan Beck to Stifel partially offset by an $8.6 million loss from operations during the two months ended February 28, 2007, the closing date of the sale to Stifel. Ryan Beck s 2006 loss resulted from declining retail brokerage revenues and a significant slow-down in investment banking activities. Ryan Beck s 2005 earnings primarily resulted from investment banking revenues and sales credits directly related to large investment banking transactions.

BankAtlantic Results of Operations

Summary

The following events over the past five years have had a significant impact on BankAtlantic s business strategies and results of operations:

In April 2002, BankAtlantic launched its *Florida s Most Convenient Bank* imitative which resulted in significant demand deposit, NOW checking and savings account growth (we refer to these accounts as core deposit accounts). Since inception of this campaign, BankAtlantic has increased core deposit balances 284% from $600 million at December 31, 2001 to approximately $2.3 billion at December 31, 2007. These core deposits represented 58% of BankAtlantic s total deposits at December 31, 2007, compared to 26% of total deposits at December 31, 2001. The growth in these core deposits was a significant reason for the improvement in BankAtlantic s non-interest income. BankAtlantic s non-interest income was $144.4 million during 2007 compared to $100.1 million during 2005.

In 2004, BankAtlantic announced its de novo store expansion strategy and had opened 32 stores as of December 31, 2007 in connection with this strategy. BankAtlantic s non-interest expenses substantially increased as a result of this strategy reflecting 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 but core deposit balances only 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 in an effort to reduce its non-interest expenses. In spite of the reduced marketing expenditures BankAtlantic opened 257,000 new core deposit accounts during the year ended December 31, 2007.

During 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 established a significant allowance for loan losses for commercial loans collateralized by residential real estate property and to a lesser extent home equity consumer loans. BankAtlantic also continues to review its underwriting criteria and is closely monitoring real estate loans held in its loan portfolio. As a result of the current market trends, BankAtlantic has shifted its loan origination focus to the origination of small business loans and commercial loans collateralized by income producing properties.

During the fourth quarter of 2007, management decided to slow BankAtlantic s retail network expansion and consolidate certain back-office facilities in order to reduce the growth of non-interest expenses. Management expects to continue BankAtlantic s retail network expansion when economic and market conditions improve.

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

	For the Years Ended Ended December 31,			Change 2007 vs	Change 2006 vs
	2007	2006	2005	2006	2005
Net interest income	$ 199,510	219,605	221,075	(20,095)	(1,470)
(Provision for) recovery from loan losses	(70,842)	(8,574)	6,615	(62,268)	(15,189)
Net income after provision for loan losses	128,668	211,031	227,690	(82,363)	(16,659)
Non-interest income	144,412	131,844	100,060	12,568	31,784
Non-interest expense	(313,898)	(293,448)	(241,092)	(20,450)	(52,356)
BankAtlantic (loss) income before income taxes	(40,818)	49,427	86,658	(90,245)	(37,231)
Benefit (provision) for income taxes	21,378	(13,105)	(30,838)	34,483	17,733
BankAtlantic net (loss) contribution	$ (19,440)	36,322	55,820	(55,762)	(19,498)

Table of Contents

BankAtlantic s Net Interest Income

The following table summarizes net interest income:

	For the Years Ended								
	December 31, 2007			December 31, 2006			December 31, 2005		
(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	$ 2,209,832	120,768	5.47%	$ 2,099,664	109,103	5.20%	$ 2,177,432	106,992	4.91%
Commercial real estate	1,367,095	108,931	7.97	1,530,282	128,420	8.39	1,828,557	130,379	7.13
Consumer	650,764	47,625	7.32	558,769	41,997	7.52	514,822	31,348	6.09
Commercial business	142,455	12,720	8.93	140,465	12,452	8.86	94,420	7,455	7.90
Small business	298,774	23,954	8.02	259,816	20,988	8.08	211,371	16,520	7.82
Total loans	4,668,920	313,998	6.73	4,588,996	312,960	6.82	4,826,602	292,694	6.06
Tax exempt securities (c)	328,583	19,272	5.87	396,539	23,162	5.84	368,807	21,391	5.80
Taxable investment securities (b)	689,263	42,849	6.22	618,913	36,912	5.96	698,279	37,184	5.33
Federal funds sold	3,638	195	5.36	1,824	22	1.21	4,275	17	0.40
Total investment securities	1,021,484	62,316	6.10	1,017,276	60,096	5.91	1,071,361	58,592	5.47
Total interest earning assets	5,690,404	376,314	6.61%	5,606,272	373,056	6.65%	5,897,963	351,286	5.96%
Total non-interest earning assets	510,173			448,296			389,186		
Total assets	**$ 6,200,577**			**$ 6,054,568**			**$ 6,287,149**		
Interest bearing liabilities									
Deposits:									
Savings	$ 584,542	12,559	2.15%	$ 369,504	2,936	0.79%	$ 298,867	909	0.30%
NOW, money funds and checking	1,450,960	26,031	1.79	1,502,058	20,413	1.36	1,582,182	16,593	1.05
Certificate accounts	992,043	45,886	4.63	868,777	35,610	4.10	784,525	22,582	2.88
Total interest bearing deposits	3,027,545	84,476	2.79	2,740,339	58,959	2.15	2,665,574	40,084	1.50
Securities sold under agreements to repurchase and federal funds purchased	194,222	9,829	5.06	304,635	15,309	5.03	314,782	9,760	3.10
Advances from FHLB	1,379,106	73,256	5.31	1,265,772	66,492	5.25	1,538,852	62,175	4.04
Subordinated debentures and notes payable	28,946	2,498	8.63	66,287	5,513	8.32	191,050	12,584	6.59

Total interest bearing liabilities	4,629,819	170,059	3.67	4,377,033	146,273	3.34	4,710,258	124,603	2.65
Non-interest bearing liabilities									
Demand deposit and escrow accounts	946,356			1,056,254			979,075		
Other liabilities	55,683			61,392			53,150		
Total non-interest bearing liabilities	1,002,039			1,117,646			1,032,225		
Stockholders equity	568,719			559,889			544,666		
Total liabilities and stockholders equity	**$ 6,200,577**			**$ 6,054,568**			**$ 6,287,149**		
Net interest income/net interest spread		206,255	2.94%		226,783	3.31%		226,683	3.31%
Tax equivalent adjustment		(6,745)			(8,107)			(7,487)	
Capitalized interest from real estate operations					929			1,879	
Net interest income		199,510			219,605			221,075	
Margin									
Interest income/interest earning assets			6.61%			6.65%			5.96%
Interest expense/interest earning assets			2.99			2.61			2.11
Tax equivalent net interest margin			3.62%			4.04%			3.85%

(a) Includes non-accruing loans

(b) Average balances were based on amortized cost.

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

For the Year Ended December 31, 2007 Compared to the Same 2006 Period

The decrease in tax equivalent net interest income primarily resulted from a 42 basis point decline in the net interest margin and secondarily from higher interest-bearing liabilities partially offset by a slight increase in interest-earning assets.

The significant decline in tax equivalent net interest margin reflects slowed core deposit growth, higher rates on deposit accounts and wholesale borrowings as well as lower loan yields during 2007 compared with 2006.

The increase in deposit rates primarily resulted from competition in our markets for deposits which affected both our deposit pricing and deposit mix. Our deposit mix shifted unfavorably from lower cost demand and checking accounts to higher rate deposit products, and we experienced a gradual increase in certificate of deposit and money market rates resulting from the increasingly competitive markets. The balance of high yield savings and NOW accounts was $345.3 million at December 31, 2007 compared to $174.3 million at December 31. 2006. Additionally, the balances of public funds increased from $62.9 million at December 31, 2006 to $323.9 million at December 31, 2007. Public fund deposits generally have higher rates than retail deposits.

Rates on wholesale borrowings during 2007 were higher than 2006 reflecting an inverted yield curve during the majority of 2007 and elevated federal funds borrowing rates during the third quarter of 2007 associated with the effect that the sub-prime liquidity crisis had on capital markets and interest rates. The Federal Reserve began reducing short term interest rates in September 2007 resulting in lower wholesale borrowings costs during the fourth quarter of 2007 compared to the same 2006 period.

The decline in loan yields reflects a change in the loan product mix to lower yielding residential loans from higher yielding commercial real estate loans as well as a significant increase in non-accrual commercial real estate loans. Non-accrual commercial loans increased to $165.8 million at December 31, 2007 from zero at December 31, 2006. Additionally, yields on consumer and small business loans were lower during the 2007 period primarily resulting from more recent originations at lower yields than the average yields of the portfolio.

BankAtlantic s average interest earning assets increased primarily as a result of higher average loan balances. The increase in average loan balances was due to purchases of residential loans and the origination of home equity and small business loans to retail banking customers. These increases in average loan balances were partially offset by declines in average commercial real estate loan balances primarily resulting from lower loan originations due to the down-turn in the Florida real estate market. In response to the current economic environment BankAtlantic continues to review its underwriting criteria and anticipates lower growth in its home equity and commercial residential construction loan portfolios in subsequent periods.

Management believes the recent 125 basis point decline in the federal funds rate in January 2008 may have a favorable impact on BankAtlantic s net interest margin; however, the market trends noted above, increased competition among financial institutions in our markets and general economic conditions could offset any declines in wholesale borrowing rates.

For the Year Ended December 31, 2006 Compared to the Same 2005 Period

Tax equivalent net interest income remained at the 2005 amount. The additional net interest income from higher yields on earning assets and lower volume on interest-bearing liabilities was offset by higher rates on interest-bearing liabilities and lower interest earning assets. The net interest margin improved by 19 basis points resulting in part from growth in non-interest bearing deposit accounts.

BankAtlantic s average interest earning asset balances declined as a result of lower investment securities, and lower residential and commercial real estate loan average balances. The decline in residential loan and investment securities average balances reflects a decision by management to not replace principal pay-downs on these loans and securities in response to a flat interest rate yield curve environment. The average balance declines were partially offset by higher consumer, commercial business and small business loan average balances relating to the origination of loans to retail and small business customers.

The net interest spread was 3.31% during 2006 and 2005. Average interest-bearing deposits, which have lower rates than other borrowings, increased from 57% of total average interest-bearing liabilities during 2005 to 63% of total average interest-bearing liabilities during 2006. The increase in deposit balances mitigated the impact of increased rates on interest-bearing liabilities. As a result, the increase in yields on earning assets generally matched the increase in rates on interest-bearing liabilities. Commencing in the latter half of 2005, BankAtlantic used its growth in deposits to reduce borrowings in response to the flat yield curve environment. Average core deposit balances increased from $2.0 billion during 2005 to $2.2 billion during 2006. As a consequence of the growth in core deposits, BankAtlantic s tax equivalent net interest income remained at 2005 amounts despite an unfavorable interest rate environment which began during the latter half of 2005.

Capitalized interest represents interest capitalized on qualifying assets associated with a real estate development acquired as part of a 2002 financial institution acquisition.

Table of Contents

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

	Year Ended December 31, 2007 Compared to Year Ended December 31, 2006			Year Ended December 31, 2006 Compared to Year Ended December 31, 2005		
	Volume (a)	**Rate**	**Total**	**Volume (a)**	**Rate**	**Total**
Increase (decrease) due to:						
Loans	$ 5,375	(4,337)	1,038	(16,204)	36,470	20,266
Tax exempt securities	(3,986)	96	(3,890)	1,620	151	1,771
Taxable investment securities (b)	4,373	1,564	5,937	(4,733)	4,461	(272)
Federal funds sold	97	76	173	(30)	35	5
Total earning assets	5,859	(2,601)	3,258	(19,347)	41,117	21,770
Deposits:						
Savings	4,620	5,003	9,623	561	1,466	2,027
NOW, money funds, and checking	(917)	6,535	5,618	(1,089)	4,909	3,820
Certificate accounts	5,702	4,574	10,276	3,453	9,575	13,028
Total deposits	9,405	16,112	25,517	2,925	15,950	18,875
Securities sold under agreements to repurchase	(5,588)	108	(5,480)	(510)	6,059	5,549
Advances from FHLB	6,020	744	6,764	(14,345)	18,662	4,317
Subordinated debentures	(3,222)	207	(3,015)	(10,376)	3,305	(7,071)
	(2,790)	1,059	(1,731)	(25,231)	28,026	2,795
Total interest bearing liabilities	6,615	17,171	23,786	(22,306)	43,976	21,670
Change in tax equivalent interest income	$ (756)	(19,772)	(20,528)	2,959	(2,859)	100

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

(b) Average balances were based on amortized cost.

BankAtlantic experienced increases in both interest-earning assets and interest-bearing liabilities during 2007. The higher interest-earnings assets increased the tax equivalent interest income by $5.9 million which was more than offset by the increase in interest-bearing liabilities which increased interest expense by $6.6 million. The decrease in interest-earning asset yields reduced interest income by $2.6 million while the higher rates on interest-bearing liabilities increased interest expense by $17.2 million. As discussed above, the lower loan yields primarily reflect a change in the mix of loans from higher yielding loan products to lower yielding residential loans and the increase in deposit and borrowing rates were primarily due to competitive pricing in our markets, a change in the mix of deposits and higher short term borrowing rates during 2007 compared to 2006. The combination of increased cost of funds due to external factors and lower yields on interest-earnings assets due to declining average balances on higher yielding loan products had a significant unfavorable effect on our net interest income.

BankAtlantic experienced declines in both interest-earning assets and interest-bearing liabilities during 2006 compared to the same 2005 period. The decline in interest-earnings assets reduced tax equivalent interest income by $19.3 million and the decline in interest-bearing liabilities reduced interest expense by $20.9 million. The increase in interest-earning asset yields increased interest income by $41.1 million while the higher rates on interest-bearing liabilities increased interest expense by $42.5 million. From January 1, 2005 through December 31, 2006, the prime interest rate increased from 5.25% to 8.25%. This increase favorably impacted the yields on earning assets, but the increase was offset by higher rates on short term borrowings, certificate accounts, money market deposits, LIBOR-based FHLB advances and long term debt. As a consequence, BankAtlantic s interest rate spread has remained at the 2005 percentage.

Table of Contents

BankAtlantic s Allowance for Loan Losses

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

	For the Years Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Balance, beginning of period	$ 43,602	41,192	46,010	45,595	48,022
Charge-offs:					
Commercial business					(2,394)
Commercial real estate	(12,562)	(7,000)		(645)	
Small business	(2,554)	(951)	(764)	(238)	(771)
Consumer home equity	(7,065)	(681)	(259)	(585)	(1,563)
Residential real estate	(461)	(239)	(453)	(582)	(681)
Continuing loan products	(22,642)	(8,871)	(1,476)	(2,050)	(5,409)
Discontinued loan products		(34)	(1,218)	(2,026)	(6,314)
Total charge-offs	(22,642)	(8,905)	(2,694)	(4,076)	(11,723)
Recoveries:					
Commercial business	96	291	18	536	95
Commercial real estate	304	419	1,471	4,052	3
Small business	417	566	899	418	559
Consumer home equity	578	536	401	370	622
Residential real estate loans	15	348	65	486	726
Continuing loan products	1,410	2,160	2,854	5,862	2,005
Discontinued loan products	808	581	1,637	3,738	8,572
Total recoveries	2,218	2,741	4,491	9,600	10,577
Net (charge-offs) recoveries	(20,424)	(6,164)	1,797	5,524	(1,146)
Provision for (recovery from) loan losses	70,842	8,574	(6,615)	(5,109)	(547)
Adjustments to acquired loan losses					(734)
Balance, end of period	$ 94,020	43,602	41,192	46,010	45,595

The significant increase in the provision for loan losses during 2007 primarily resulted from the rapid deterioration in the Florida real estate market and the associated rapid increase in non-performing loans. The $70.8 million provision for loan losses for the year ended December 31, 2007 includes certain specific reserves associated with 10 commercial development loans placed on non-accrual during the year ended December 31, 2007, established by estimating the fair value of the collateral less costs to sell. The remaining increase in the provision for loan losses during 2007 primarily resulted from an increase in the allowance for loan losses associated with the commercial residential development loan portfolio and to a lesser extent the consumer home equity loan portfolio. These increases were for estimated losses we believe to be inherent in the loan portfolio as of December 31, 2007 that have not yet been confirmed or specifically identified.

The increase in the commercial residential development loan portfolio allowance was primarily based on the deterioration of economic conditions in the Florida residential real estate market. During 2007, home sales and median home prices declined substantially on a year-over-year basis in all major metropolitan areas in Florida, with conditions deteriorating rapidly during the summer of 2007. The housing industry is experiencing what many consider to be its worst downturn in 16 years and market conditions have continued to worsen throughout 2007 and into 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. Additionally, certain national and regional home builders have sought or indicated that they may seek bankruptcy protection. In addition to our significant increase in non-performing and classified loans, we experienced $12.6 million of charge-offs related to three commercial residential development loans that we wrote-down to estimated fair value of the collateral less costs to sell.

Table of Contents

The consumer loan portfolio allowance for loan losses increased by 23% at December 31, 2007 compared to December 31, 2006 based on 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 recent decline in residential real estate prices and residential home sales in markets where many of the homes securing our home equity loans are located, subjects us to potentially higher charge-off amounts compared to historical trends. Management believes that these factors as well as the deteriorating economic conditions in Florida and the difficulty of homeowners to refinance their mortgage debt resulted in increased losses inherent in our home equity loan portfolio.

Market conditions may result in BankAtlantic s commercial real estate loan borrowers having difficulty selling lots for an extended period. Also market conditions may result in BankAtlantic s home equity consumer loan customers being unable to sell or refinance their homes. These current market conditions would be expected to result in an increase in loan delinquencies and non-accrual loan balances. A prolonged decline in the residential real estate market and collateral values will likely result in increased credit losses in these loan portfolios.

The provision for loan losses during the year ended December 31, 2006 primarily resulted from increases in the allowance for commercial real estate loans and a $7.0 million charge-off on one land development loan upon which BankAtlantic took possession of the real estate securing the loan during the fourth quarter of 2006. The qualitative component of the allowance for commercial real estate losses was increased during 2006 due to deteriorating economic conditions in the residential real estate market throughout 2006 and the concentration of land development loans in BankAtlantic s loan portfolio.

During 2005, our provision was a recovery due to decreased reserves associated with the commercial loan portfolio reflecting lower loan balances and a payoff of a large hotel loan. Loans to borrowers in the hospitality industry were allocated higher general reserves than other categories of loans in the portfolio. We also experienced a reduction in our classified loans during 2005.

During prior periods we discontinued the origination of syndication, lease financings and indirect consumer loans and made major modifications to the underwriting process for small business loans (collectively, discontinued loan products .) We experienced net recoveries from discontinued loan products for each of the years in the five year period ended December 31, 2007. These discontinued loan products resulted in significant losses in periods prior to 2003. As a result of this experience we changed our credit policies to focus our loan production on collateral based loans.

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, 2007			December 31, 2006			December 31, 2005		
	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 business	$ 2,668	2.04%	2.65%	$ 2,359	1.50%	3.07%	$ 1,988	2.30%	1.63%
Commercial real estate	72,948	4.51	32.78	24,632	1.28	37.54	17,984	0.75	45.20
Small business	4,576	1.44	6.43	4,495	1.58	5.57	2,640	1.12	4.43
Residential real estate	4,177	0.19	43.82	4,242	0.20	42.33	2,592	0.13	38.53
Consumer home equity	9,651	1.37	14.32	7,874	1.34	11.49	6,354	1.17	10.19
Discontinued loan products							156	12.92	0.02
Total assigned	94,020			43,602			31,714		
Unassigned		N/A	N/A		N/A	N/A	9,478	N/A	N/A
	$ 94,020	1.90	100.00	$ 43,602	0.85	100.00	$ 41,192	0.78	100.00

	December 31, 2004			December 31, 2003		
	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 business	$ 2,507	2.94%	1.59%	$ 1,715	2.15%	1.81%
Commercial real estate	23,345	0.92	47.28	24,005	0.99	55.12
Small business	2,403	1.26	3.55	2,300	1.44	3.63
Residential real estate	2,565	0.12	38.57	2,111	0.16	30.56
Consumer direct	4,281	0.90	8.86	3,900	1.10	8.07
Discontinued loan products	1,431	17.27	0.15	4,553	12.81	0.81
Total assigned	36,532			38,584		
Unassigned	9,478	N/A	N/A	7,011	N/A	N/A

$ 46,010	0.86	100.00	$ 45,595	1.04	100.00

The allowance for loan losses has a quantitative amount and a qualitative amount. The methodology for the quantitative component is based on a three year charge-off history by loan type adjusted by an expected recovery rate. A three year period was considered a reasonable time frame to track a loan s performance from the event of loss through the recovery period. The methodology for the qualitative component is determined by considering the following factors: (i) Delinquency and charge-off levels and trends; (ii) Problem loans and non-accrual levels and trends; (iii) Lending policy and underwriting procedures; (iv) Lending management and staff; (v) Nature and volume of portfolio; (vi) Economic and business conditions; (vii) Concentration of credit; (viii) Quality of loan review system; and (ix) External factors. The unassigned component that was part of the Company s allowance for loan losses in periods prior to January 1, 2006, was incorporated into the qualitative components of loans by loan category during 2006. In prior periods the unassigned component was calculated based on the entire loan portfolio considering the above qualitative factors. At January 1, 2006, since the qualitative component was performed for each loan category, the prior period unassigned component was allocated to the respective loan categories.

The unassigned allowance was transferred to the following loan categories as of January 1, 2006 (in thousands):

	Amount
Commercial business	$ 264
Commercial real estate	5,285
Small business	1,566
Residential real estate	1,262
Consumer	1,101
	$ 9,478

The unassigned allowance increased to $9.5 million at December 31, 2004 from $7.0 million at December 31, 2003 and remained at the prior year level at December 31, 2005. The major factors contributing to the increase in our unassigned allowance for loan losses during 2004 were the expanded geographical area in Florida in which we originated commercial real estate loans, and the growth in our consumer and purchased residential loan portfolios. We opened commercial loan offices in Orlando and Jacksonville, Florida. The loans originated outside our primary markets had the potential to have substantially different loss experiences than loans secured by collateral in South Florida. During 2004, we also modified our underwriting policies to allow for higher loan-to-value ratios based on Beacon scores for home equity loans (these loan to value underwriting adjustments were subsequently reduced in 2007 and during the first quarter of 2008.) During 2005, the unassigned portion of the allowance remained at the prior period amount as there were no significant changes in lending policies or geographical concentration of credit risk.

Commercial real estate loans account for a large portion of the allowance for loan losses for each of the years in the five year period ended December 31, 2007. The commercial real estate loan allowance from December 31, 2003 through December 2004 primarily reflected portfolio growth in high balance loans and additional reserves associated with loans to borrowers in the hospitality and time-share industries. These industries were designated as having a higher credit risk than existing loans in our portfolio. The decline in the allowance for commercial real estate loans at December 31, 2005 was associated with repayments of loans in the hospitality industry, lower classified loan balances and a decline in portfolio balances. The increase in the allowance for commercial real estate loans during 2006 was associated with adverse economic conditions in the real estate industry. The substantial increase in the commercial real estate allowance for loan losses during 2007 resulted in large part from a rapid deterioration in the Florida residential real estate market and relates primarily to three categories of loans in our commercial residential development loan portfolio that we believe have significant exposure to the declines in the Florida residential real estate market. The loan balance in these categories aggregated $503.1 million at December 31, 2007. These categories are as follows:

The builder land bank loan category consists of 12 loans and totaled $149.6 million at December 31, 2007. 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, 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. Six loans in this category totaling $86.5 million were on non-accrual at December 31, 2007. These loans were placed on non-accrual generally due to the cancellation of the option agreement by the builder or the borrower s renegotiation of the option contract with the builder. Generally, the builder option holders have agreements to support the debt service and the operating expenses of these real estate projects and the borrowers alone may not have the financial strength to repay the loan.

The land acquisition and development loan category consists of 34 loans and aggregated $202.2 million at December 31, 2007. This category generally consists of loans secured by residential land which is intended to be developed by the borrower and sold to homebuilders. These loans were 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. Two loans in this

Table of Contents

category totaling $7.3 million were on non-accrual at December 31, 2007. These loans were placed on non-accrual due to substantially slowed project sales or delays in obtaining property entitlements to proceed with the development.

The land acquisition, development and construction loan category consists of 29 loans and aggregated $151.3 million at December 31, 2007. 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 may be 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. Seven loans in this category totaling $57.2 million were on non-accrual at December 31, 2007.

The allowance for consumer loans has increased for each of the years in the five year period ended December 31, 2007. This increase is largely associated with the growth in outstanding home equity loans throughout the period and the change in policy to originate higher loan-to-value ratio loans based on Beacon scores during 2004. The 2007 increase in the allowance also reflects an increase in estimated inherent losses in the loan portfolio associated with the current economic environment, declines in home prices in the markets where most of the collateral is located, elevated charge-offs and delinquency trends.

The decrease in the residential loan allowance during 2007 compared to 2006 reflects a lower quantitative component of the allowance as the 3 year historical charge-off experience improved from prior periods. The decline in the quantitative component of the allowance was partially offset by an increase in the qualitative component of the allowance associated with the current weakness in the housing market and delinquency trends.

The change in the percentage of allowance for loan losses to total gross loans during the three year period ended December 31, 2007 primarily reflects changes in classified assets, and qualitative allowance adjustments in response to weakness in real estate markets. The adjustments were primarily in the commercial real estate and to a lesser extent in the consumer loan categories.

Table of Contents

BankAtlantic s Non-performing Assets and Potential Problem Loans (dollars in thousands):

	December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
NONPERFORMING ASSETS					
Tax certificates	$ 2,094	632	388	381	894
Residential	8,678	2,629	5,981	5,538	9,777
Commercial (2)	165,818		340	1,067	77
Small business	877	244	9	88	155
Consumer	3,218	1,563	471	1,210	794
Total non-accrual assets	**180,685**	**5,068**	**7,189**	**8,284**	**11,697**
Residential real estate owned	413	617	86	309	1,474
Commercial real estate owned	16,763	21,130	881	383	948
Consumer	40				
Total repossessed assets	17,216	21,747	967	692	2,422
Total nonperforming assets	$ 197,901	26,815	8,156	8,976	14,119
Total nonperforming assets as a percentage of:					
Total assets	3.21	0.43	0.13	0.15	0.31
Loans, tax certificates and real estate owned	4.10	0.55	0.17	0.19	0.36
TOTAL ASSETS	$6,161,962	6,187,122	6,109,330	6,044,988	4,566,850
TOTAL LOANS, TAX CERTIFICATES AND NET REAL ESTATE OWNED	$4,823,825	4,903,961	4,830,268	4,771,682	3,872,473
Allowance for loan losses	$ 94,020	43,602	41,192	46,010	45,595
Tax certificates	$ 191,690	199,090	166,697	170,028	193,776
Allowance for tax certificate losses	$ 3,289	3,699	3,271	3,297	2,870
OTHER POTENTIAL PROBLEM LOANS					
Contractually past due 90 days or more (1)	$				135
Performing impaired loans		163	193	320	180
Restructured loans (2)	2,488		77	24	1,387

TOTAL POTENTIAL PROBLEM LOANS	$ 2,488	163	270	344	1,702

(1) The majority of these loans have matured and the borrower continues to make payments under the matured loan agreement.

(2) $114.0 million of impaired loans had specific reserves of $17.8 million and specific reserves were determined not to be required on the remaining impaired loans.

Non-performing assets substantially increased at December 2007 compared to the four prior year periods reflecting significant increases in non-accrual assets partially offset by lower repossessed asset balances during 2007 compared to 2006. The decline in real estate owned primarily resulted from a $7.2 million write-down associated with a real estate development repossessed during the fourth quarter of 2006. The write-down was based on declining real estate values and absorption rates in the area where the property is located.

The substantial increase in non-accrual assets at December 31, 2007 compared to the four prior year periods primarily resulted from placing 14 commercial residential development loans totaling $151.0 million on non-accrual during

Table of Contents

the year ended December 31, 2007. All of these loans are considered to be in the high exposure loan categories discussed above. The remainder of the increase in commercial non-accrual loans consisted of a $4.6 million commercial non-residential development loan and two commercial business loans totaling $10.2 million. Consumer home equity and residential non-accrual loan balances also increased compared to prior periods. Delinquencies in the consumer loan portfolio at December 31, 2007, including non-accrual loans, were 1.48% of the unpaid principal balance compared to 0.61% at December 31, 2006. At origination, these loans had average loan-to-values, inclusive of first mortgages, of 67%, and Beacon scores on average of 706.

During 2007, BankAtlantic experienced higher delinquencies and non-accrual loan trends in its purchased residential loan portfolio. Management believes that these trends reflect the declines in the residential real estate market nationally and associated extended time-frames required to sell homes. The average FICO score in this portfolio was 741 and the average original loan-to-value of the portfolio was 67% at the time of origination. Further, this portfolio does not include negative amortizing or sub-prime loans. Delinquencies in the residential portfolio at December 31, 2007, including non-accrual loans, were 0.77% of unpaid principal balances compared to 0.32% at December 31, 2006.

In addition to the non-accrual commercial loans listed on the above table, subsequent to December 31, 2007, management has identified certain commercial residential development loans which were performing at December 31, 2007 but where management believes that the borrowers may not in the future be in a position to meet their obligations under the parties loan agreements. As such, these loans, and other loans as they are identified by management, may be included as non-performing assets in the above table in subsequent periods.

As discussed in Item 1A. 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 slowdown in the economy in general, we may experience further deterioration in our loan portfolio. As a consequence, if these conditions do not improve, or if the residential real estate market declines further or if commercial non-residential real estate markets decline, we will likely continue to experience an increasing trend of non-performing assets.

Tax certificate non-accrual balances at December 31, 2007 were higher than historical trends primarily due to bulk purchases of certificates outside the State of Florida. In a bulk purchase transaction, BankAtlantic and other entities bid on the entire tax certificate offering of a municipality resulting in the successful bidder owning all certificates offered by the municipality.

During the year ended December 31, 2007, BankAtlantic modified the terms of commercial business loans associated with one borrowing relationship in a troubled debt restructuring. The original terms were modified to reduce the monthly cash payments in order to lessen the near term cash requirements of the borrowers obligations. BankAtlantic currently expects to collect all principal and interest on these loans based on the modified loan terms.

Table of Contents

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, 2007	2006	2005	Change 2007 vs 2006	Change 2006 vs 2005
Service charges on deposits	$102,639	90,472	61,956	12,167	28,516
Other service charges and fees	28,950	27,542	23,347	1,408	4,195
Securities activities, net	2,307	657	117	1,650	540
Income (loss) from real estate operations	538	(982)	4,480	1,520	(5,462)
Income from unconsolidated subsidiaries	1,219	33		1,186	33
Gains associated with debt redemption		1,528		(1,528)	1,528
(Losses) gains on dispositions of office properties and equipment, net	(1,121)	1,627	1,200	(2,748)	427
Gains on sales of loans, net	494	680	742	(186)	(62)
Other	9,386	10,287	8,218	(901)	2,069
Non-interest income	$144,412	131,844	100,060	12,568	31,784

The higher revenue from service charges on deposits for each of the years in the three year period ended December 31, 2007 primarily resulted from growth in overdraft fee income. Management believes that the increase in overdraft fee income resulted from an increase in the number of deposit accounts, a 7% increase in the amount charged for overdrafts beginning July 2006 and a change in policy during 2006 allowing certain customers to incur debit card overdrafts. BankAtlantic opened approximately 242,000, 291,000 and 281,000 new deposit accounts during the years ended December 31, 2005, 2006 and 2007, respectively. The growth rate of service fees slowed during 2007 due primarily to lower overdraft and interchange transactions per deposit account combined with the decline in new account growth.

The higher other service charges and fees in each of the years in the three years ended December 31, 2007 was primarily due to higher interchange and surcharge income associated with an increased volume of customer transactions. The increase in service card fees during 2007 was partially offset by the elimination of check card annual fees as of January 1, 2007 in response to competitive market conditions. The higher interchange volume reflects a substantial increase in the number of debit cards issued associated with the opening of new accounts. Management believes that the slowed growth of service charge fee income primarily resulted from a decline in new account growth and a decrease in transaction volume per customer.

Securities activities, net during the year ended December 31, 2007 includes $3.4 million of gains from the sales of MasterCard International stock in MasterCard s initial public offering in September 2006. This gain was partially offset by $1.6 million of realized losses from the sale of $399.2 million of municipal securities and $105.8 million of agency securities available for sale. The municipal securities were sold because the lower tax-free returns on these securities were not currently beneficial to the Company in light of the current losses incurred during the year ended December 31, 2007 and the agency securities were sold in response to changes in market interest rates and related changes in the securities prepayment risk. The proceeds from these securities were used to purchase agency securities with higher yields and shorter durations.

Securities activities, net during the year ended December 31, 2006 resulted from $458,000 of proceeds received in connection with the MasterCard International initial public offering and a $172,000 net gain realized from the sale of agency securities. Securities activities, net in 2005 reflects gains on the sales of agency securities.

Income (loss) from real estate operations reflects net proceeds from sales of real estate inventory associated with a real estate development acquired as part of a financial institution acquisition during 2002. The 2005 period also included $624,000 of gains from the sales of store facilities. Loss from real estate operations during the 2006 year reflects higher development and capitalized interest costs associated with units sold during the period.

Income from unconsolidated subsidiaries for 2007 represents $1.0 million of equity earnings from joint ventures that manage income producing rental real estate properties. BankAtlantic also recognized $0.2 million of equity earnings in a joint venture that factors receivables.

Gains associated with debt redemption for 2006 were the result of gains realized on the prepayment of FHLB advances. BankAtlantic prepaid these advances as part of a strategy to reduce the net effect of an asset sensitive portfolio on its net interest margin by shortening the average maturity of its outstanding interest-bearing liabilities.

Loss on the disposition of property and equipment during the year ended December 31, 2007 primarily represents the write-off of leasehold improvements associated with the relocation of stores and the consolidation of back-office facilities. Gain on sale of bank facilities during the year ended December 31, 2006 primarily resulted from an exchange of branch facilities with another financial institution. The financial institution had a surplus branch facility from a recent acquisition and BankAtlantic was searching for a suitable branch site in that general location. As consideration for this surplus branch, BankAtlantic exchanged a branch with the financial institution and recorded a $1.8 million gain equal to the appraised value of the branch transferred less its carrying value. The gain on the sale of branch facilities during 2005 primarily related to the sale of a branch to an unrelated financial institution for a $922,000 gain.

Gains on loan sales during each of the years in the three year period ended December 31, 2007 were primarily from the sale of residential loans originated with the assistance of independent mortgage brokers and the sale of Community Reinvestment Act qualified loans to other financial institutions.

The decline in other non-interest income for the year ended December 31, 2007 compared to the same 2006 period reflects a $400,000 deposit forfeited during 2006 by a potential buyer of a portion of BankAtlantic s old corporate headquarters property. Additionally, corporate overhead fees received from BFC were $0.2 million lower during 2007 compared to 2006. The increase in other non-interest income during 2006 compared to 2005 reflects $380,000 of corporate overhead fees received from BFC with no corresponding fees during the 2005 period as well as increased banking fees associated with a higher number of deposit accounts.

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 2007 vs	Change 2006 vs
	2007	**2006**	**2005**	**2006**	**2005**
Employee compensation and benefits	$148,758	146,099	113,526	2,659	32,573
Occupancy and equipment	65,840	57,291	41,611	8,549	15,680
Advertising and promotion	19,684	34,659	26,895	(14,975)	7,764
Check losses	11,476	8,615	5,176	2,861	3,439
Professional fees	8,266	7,653	9,695	613	(2,042)
Supplies and postage	6,078	6,833	5,638	(755)	1,195
Telecommunication	5,552	4,774	3,944	778	830
Amortization of intangible assets	1,437	1,561	1,627	(124)	(66)
Cost associated with debt redemption		1,457		(1,457)	1,457
Fines and penalties, compliance matters			10,000		(10,000)
Restructuring charges, impairments and exit activities	8,351		3,706	8,351	(3,706)
Impairment of real estate held for sale	5,240			5,240	
Impairment of real estate owned	7,299	9		7,290	9

Other	25,917	24,497	19,274	1,420	5,223
Total non-interest expense	$313,898	293,448	241,092	20,450	52,356

BankAtlantic s non-interest expense for 2007 excluding impairments and restructuring charges as well as costs associated with debt redemptions was $293.0 million compared to $292.0 million during 2006. During the fourth quarter of 2007, in response to an adverse economic environment and its impact on our earnings we slowed down our retail network expansion and consolidated certain back-office facilities in order to reduce the growth of non-interest expenses. As a consequence of this management decision, BankAtlantic approved actions to sell real estate originally acquired for the retail network expansion, to terminate or sublease properties under executed lease contracts and to sell the Orlando stores. These actions resulted in restructuring and impairment charges of $5.8 million during the fourth quarter of 2007. During the first quarter of 2007, BankAtlantic also incurred restructuring charges of $2.5 million from a workforce reduction implemented in an effort to reduce operating expenses. Management review of non-interest expenses is on-going with a view towards reducing those expenses which do not impact the quality of customer service or our Florida s Most Convenient Bank initiatives.

Employee compensation and benefits expenses for 2007 increased slightly from 2006. This increase was due to the additional employees associated with the opening of 15 stores during 2007 and the opening of 13 stores throughout 2006. BankAtlantic also incurred $1.7 million of higher employee benefit cost primarily associated with health insurance. These increases in compensation expenses were partially offset by reductions of performance bonuses in 2007 and the March 2007 workforce reductions. Performance bonuses and profit sharing expenses were $4.3 million lower during 2007 compared to 2006, resulting in part from the elimination of executive management cash bonuses. In March 2007, BankAtlantic reduced its workforce by approximately 225 associates, or 8%. As a consequence of overall expense reduction initiatives and the March 2007 workforce reduction the number of full-time equivalent BankAtlantic employees declined from 2,618 at December 31, 2006 to 2,385 at December 31, 2007 while our store retail network expanded from 88 stores at December 31, 2006 to 103 stores at December 31, 2007.

The substantial increase in employee compensation and benefits during 2006 compared to 2005 resulted primarily from our store expansion and growth initiatives as well as the execution of our Florida s Most Convenient Bank strategy. This strategy includes stores opened seven days a week, extended weekday hours, 24/7 call center hours, certain stores open to midnight, and holiday hours. This strategy, along with the opening of 17 stores and a second call center in central Florida contributed to the significant increase in compensation expense. As a consequence of the above initiatives, the number of BankAtlantic s full time equivalent employees increased from 1,301 at December 31, 2003 to 2,618 at December 31, 2006. Also contributing to the increased compensation costs were higher employee benefit costs, recruitment expenditures and temporary agency costs associated with maintaining a larger work force. Included in employee compensation costs during the year ended December 31, 2006 was $3.2 million of share-based compensation costs. No such costs were recorded during 2005.

The significant increase in occupancy and equipment for each of the years in the three year period ended December 31, 2007 primarily resulted from the expansion of the store network and back-office facilities to support a larger organization. BankAtlantic has entered into various operating lease agreements relating to current and future store expansion as well as for back-office facilities, including the opening of a second call center and BankAtlantic University to support the growing store network. BankAtlantic also incurred higher operating costs for real estate taxes, guard services, and utilities associated with the above growth and expansion initiatives. As a result, BankAtlantic s rental expense and depreciation expenses increased by $3.7 million and $3.8 million, respectively, for the year ended December 31, 2007 compared to the same 2006 period and by $3.6 million and $4.3 million, respectively, for the year ended December 31, 2006 compared to the same 2005 period. Also contributing to the higher occupancy costs was an increase in building repairs, maintenance, real estate taxes, data processing costs and utilities. These costs grew from $22.6 million during the year ended December 31, 2005 to $30.0 million during the comparable 2006 and 2007 periods. In December 2007, BankAtlantic consolidated two call center operations into one call center in Orlando, Florida and is attempting to terminate certain back-office lease agreements. Additionally, BankAtlantic is seeking to sublease certain properties and terminate lease agreements entered into with respect to future store expansion.

The higher advertising expenses during 2006 compared to 2005 reflect BankAtlantic s initiatives to significantly expand its marketing campaigns in response to slowing growth rates in deposits. BankAtlantic created new marketing promotions during the fourth quarter of 2005 and introduced new account opening incentives in order to attract new deposits.

Table of Contents

While new deposit account growth was favorable, account balances in existing accounts declined resulting in slowed overall growth of deposit balances. As a consequence of the adverse economic conditions for deposit growth and the limited results of the new advertising promotions, management decided during the fourth quarter of 2006 to reduce advertising expenses. Reflecting that decision, advertising expenses during 2007 were significantly lower than 2006 and 2005.

BankAtlantic experienced a significant increase in check losses for each of the years in the three year period ended December 31, 2007. The higher check losses were primarily related to the increased number of deposit accounts and the volume of checking account overdrafts. The adverse economic environment may also have contributed to higher check losses.

The increase in professional fees during 2007 compared to 2006 reflects higher litigation reserves and legal fees associated with loan modifications and pending litigation relating to commercial residential real estate loans and the tax certificate portfolio. The decline in professional fees during 2006 compared to 2005 primarily resulted from lower consulting costs associated with the compliance efforts relating to anti-terrorism and anti-money laundering laws and regulations following an earlier identification of deficiencies in our program.

The decrease in supplies and postage during 2007 compared to 2006 reflects our overall expense discipline initiatives and a decline in hurricane supply purchases as the 2006 hurricane season did not impact Florida. The increase in supplies and postage during 2006 compared to 2005 was directly related to BankAtlantic s growth initiatives and store expansion programs.

The increase in telecommunication expenses for each of the years in the three year period ended December 31, 2007 was directly related to BankAtlantic s growth initiatives and store expansion.

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.

The costs associated with debt redemptions were the result of prepayment penalties incurred during the years ended December 31, 2006 upon the prepayment of FHLB advances. The prepayments during 2006 were part of a market risk strategy to reduce the effect of an asset sensitive portfolio on BankAtlantic s net interest margin by shortening the average maturity of its outstanding interest-bearing liabilities.

During the fourth quarter of 2005, BankAtlantic established a $10 million reserve with respect to certain anti-money laundering laws and the Bank Secrecy Act compliance issues. In April 2006, BankAtlantic entered into a one year deferred prosecution agreement with the U.S Department of Justice and remitted the $10.0 million. In November 2007, the OTS terminated the Cease and Desist Order as BankAtlantic was in compliance with the regulations.

The restructuring charges, impairments and exit activities during 2007 reflect the March 2007 workforce reduction and the slow down in our retail network strategy discussed above. Management is continuing to explore opportunities to reduce operating expenses and increase future operating efficiencies, however, there is no assurance that we will be successful in these efforts.

The 2005 period includes an impairment charge associated with the relocation of our corporate headquarters and a decision to vacate and raze our former headquarters.

During the year ended December 31, 2007, BankAtlantic recognized impairment charges on a real estate development acquired in connection with the acquisition of a financial institution during 2002. The development was written down to fair value based on updated indications of value. The development consists of developed and undeveloped lots as well as nine single family homes and four condominiums. BankAtlantic has executed sales contracts on two of the condominium units and the developed and undeveloped lots; however, there is no assurance that the sales will be completed.

The decline in real estate owned primarily resulted from a $7.2 million write-down associated with a real estate development acquired when BankAtlantic took possession of the collateral securing a land acquisition and development loan

Table of Contents

during the fourth quarter of 2006. The write-down was based on declining real estate values and absorption rates in the area where the property is located.

The higher other expenses for the year ended December 31, 2007 compared to the same 2006 period reflect higher shared services allocations from BFC for human resources and risk management services as well as increased insurance costs. The increase in other non-interest expense during the year ended December 31, 2006 compared to the same 2005 period relates to higher expenses associated with services provided by BFC, increased general operating expenses such as check printing and ATM network costs related to a significant increase in the number of customer accounts, store locations, employees and the extended hours of the store network.

BankAtlantic s Provision for Income Taxes

(in thousands)	For the Years Ended December 31, 2007	2006	2005	Change 2007 vs. 2006	Change 2006 vs. 2005
(Loss) income before income taxes	$(40,818)	49,427	86,658	(90,245)	(37,231)
Benefit (provision) for income taxes	21,378	(13,105)	(30,838)	34,483	17,733
BankAtlantic net (loss) income	$(19,440)	36,322	55,820	(55,762)	(19,498)
Effective tax rate	52.37%	26.51%	35.59%		

The effective tax rate is different than the expected federal income tax rate of 35% primarily due to tax exempt income from municipal securities and benefits for state taxes due to allocations of earnings or losses among various state tax jurisdictions. The effective tax rate for 2005 was increased by the establishment of a non-tax deductible $10 million reserve for fines and penalties associated with the AML-BSA compliance matter.

Table of Contents

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, 2007	2006	2005	Change 2007 vs 2006	Change 2006 vs 2005
Net interest income (expense):					
Interest income on loans	$		556		(556)
Interest and dividend income on investments	2,320	2,448	1,701	(128)	747
Interest expense on Junior subordinated debentures	(23,054)	(21,933)	(19,347)	(1,121)	(2,586)
Net interest (expense)	(20,734)	(19,485)	(17,090)	(1,249)	(2,395)
Non-interest income:					
Income from unconsolidated subsidiaries	1,281	1,634	621	(353)	1,013
Securities activities, net	6,105	9,156	731	(3,051)	8,425
Other income	824	23	1,172	801	(1,149)
Non-interest income	8,210	10,813	2,524	(2,603)	8,289
Non-interest expense:					
Employee compensation and benefits	2,421	4,705	4,047	(2,284)	658
Advertising and promotion	317	408	422	(91)	(14)
Professional fees	424	638	1,179	(214)	(541)
Other	1,080	1,028	515	52	513
Non-interest expense	4,242	6,779	6,163	(2,537)	616
Loss before income taxes	(16,766)	(15,451)	(20,729)	(1,315)	5,278
Income tax benefit	6,194	6,008	7,435	186	(1,427)
Parent Company loss	$(10,572)	(9,443)	(13,294)	(1,129)	3,851

Parent company interest on loans during 2005 represented interest income on loans to Levitt Corporation. Levitt Corporation repaid all of its borrowings from the parent company during 2005.

Interest and dividend income on investments during each of the years in the three year period ended December 31, 2007 was primarily interest and dividends associated with a debt and equity portfolio managed by a money manager as well as earnings from a reverse repurchase account with BankAtlantic. Earnings from the BankAtlantic reverse repurchase account were $256,000, $220,000 and $162,000 during the years ended December 31, 2007, 2006 and 2005, respectively.

Interest expense for the years ended December 31, 2007, 2006 and 2005 consisted primarily of debt service on the Company s junior subordinated debentures. The average balance of the Company s junior subordinated debentures was $277.9 million for the year ended December 31, 2007 and $263.3 million during each of the years in the two year period ended December 31, 2006. The increase in interest expense during 2007 compared to 2006 primarily resulted from the issuance of $25.8 million and $5.1 million of junior subordinated debentures in June 2007 and September 2007, respectively. The increase in the interest expense during 2006 compared to 2005 was primarily due to higher rates on variable rate junior subordinated debentures resulting from the 2006 increase in short term interest rates.

Income from unconsolidated subsidiaries during 2007, 2006 and 2005 represents $662,000, $627,000, and $556,000, respectively, of equity earnings from trusts formed to issue trust preferred securities and $0.6 million, $1.0 million and $65,000 of equity earnings in income producing real estate joint ventures during the years ended December 31, 2007, 2006 and 2005, respectively. The business purpose of the joint ventures is to manage certain rental properties with the intent to sell the properties in the foreseeable future. The Parent Company s joint ventures were liquidated and the Parent Company is not currently investing in income producing joint ventures.

During 2007, the Parent Company sold $49.5 million of equity securities from its managed investment portfolio for gains of $9.1 million. The majority of the proceeds from the sale of equity securities were used to purchase and retire the Company s Class A Common Stock. The Parent Company recognized $0.3 million of unrealized gains from market appreciation of Stifel warrants and recorded an other-than-temporary impairment of $3.3 million associated with an investment in a private limited partnership. The Parent Company anticipates continuing to sell equity securities from its portfolio, including Stifel Common Stock from time to time and anticipates using the proceeds for general corporate purposes which may include funding a portion of its interest expense on junior subordinated debentures and supporting BankAtlantic.

Securities activities gains during the year ended December 31, 2006 primarily represent gains from managed funds. During 2006, the Parent Company sold $69.1 million of equity securities from its portfolio for gains of $9.2 million. The majority of the proceeds from the sale of equity securities were reinvested in equity securities. A portion of these proceeds was also used to fund interest expense on junior subordinated debentures.

Securities activities, net during 2005 reflect transactions by the money manager to rebalance the portfolio in response to changes in the equity markets.

Other income during the year ended December 31, 2007 represents fees charged to BankAtlantic for executive management services. These fees are eliminated in the Company s consolidated financial statements.

Other income during the year ended December 31, 2005 represented fees received by the Company for investor relations and risk management services provided by the Company to Levitt and BFC. During 2006, the employees who provided a substantial portion of these services were transferred to BFC and these services were then provided to the Company by BFC and the fees paid by the Company to BFC are reflected in other expenses.

The Company s compensation expense during the years ended December 31, 2007 and 2006 represents salaries and bonuses for executive officers of the Company as well as recruitment expenses. The lower compensation expense during 2007 compared to 2006 primarily reflects reductions in 2007 performance bonuses. Additional compensation expense during 2006 included payroll taxes associated with the exercise of stock options. Share-based compensation expense was $1.2 million for each of the years in the two year period ended December 31, 2007.

The Company recorded compensation expense during 2005 as a result of the allocation of investor relations, corporate and risk management compensation costs to the Company from BankAtlantic. This expense was partially offset by fees received by the Company for investor relations and risk management services provided by the Company to Levitt and BFC Financial Corporation, which are included in other income.

Advertising costs during each of the years in the three year period ended December 31, 2007 represents investor relations expenditures and the cost of shareholder correspondence and the annual meetings.

The 2005 professional fees were additional costs associated with compliance with the Sarbanes Oxley Act. These fees were lower during 2006 and 2007. Professional fees during 2006 and 2007 were primarily legal costs for general corporate matters.

The increase in other expenses during the years ended December 31, 2007 and 2006 compared to the same 2005 period primarily resulted from fees paid to BFC for investor relations, risk management and executive management personnel services provided to the Company by BFC. These services were previously performed by the Company s employees and accordingly these expenses were primarily reflected in compensation expense during the 2005 period.

Table of Contents

BankAtlantic Bancorp Consolidated Financial Condition

Total assets at December 31, 2007 were $6.4 billion compared to $6.5 billion at December 31, 2006. The changes in components of total assets from December 31, 2006 to December 31, 2007 are summarized below:

Lower cash and due from depository institution balances resulting from a decline in cash letter receivables;

Increase in securities available for sale reflecting Stifel common stock received upon the sale of Ryan Beck, the execution of an investment strategy to transfer $203 million of tax exempt securities from investments held-to-maturity to securities available for sale and the sale of BankAtlantic s entire portfolio of tax exempt securities and replacing these securities with government agency mortgage-backed securities. These increases were partially offset by sales of Parent Company equity securities to fund the Company s Class A common stock repurchase program;

Decrease in investment securities at cost reflecting the transfer of $203 million of tax exempt securities to securities available for sale partially offset by Stifel equity securities received upon the sale of Ryan Beck which are subject to contractual restrictions limiting sales;

Decrease in tax certificate balances primarily due to redemptions of tax certificates outside of Florida;

Decline in FHLB stock related to lower FHLB advance borrowings;

Decrease in loan receivable balances associated with a $50.4 million increase in the allowance for loan losses and lower commercial loan balances partially offset by higher purchased residential, small business and home equity loan balances;

Increase in real estate inventory related to a decision to sell properties that BankAtlantic acquired for its store expansion program;

Lower real estate owned balances associated with $7.2 million of write-downs of the real estate securing a land development loan which BankAtlantic took possession of during the year ended December 31, 2006;

Increase in office properties and equipment associated with BankAtlantic s opening of 15 stores during 2007 partially offset by restructuring charges and impairments associated with the a decision to slow the store expansion program;

Decrease in discontinued operations assets held for sale reflecting the sale of Ryan Beck to Stifel; and

Increase in other assets primarily resulting from a federal income tax receivable associated with a taxable loss for the year ended December 31, 2007.

The Company s total liabilities at December 31, 2007 were $5.9 billion compared to $6.0 billion at December 31, 2006. The changes in components of total liabilities from December 31, 2006 to December 31, 2007 are summarized below:

Lower non-interest-bearing deposit balances reflecting the migration of deposits to higher yielding products as a result of a higher interest rate environment and competition;

Higher interest-bearing deposit balances primarily associated with increased high yield savings, checking and certificates of deposit balances primarily reflecting transfers of customer deposit balances to higher yielding products;

Lower FHLB advance borrowings due to higher deposit balances and an increase in short-term borrowings;

Decrease in development notes payable associated with the repayment of real estate development borrowings from third party lenders;

Increase in subordinated debentures and bonds payable primarily associated with the Parent Company s issuance of $31 million of junior subordinated debentures;

Decrease in discontinued operations liabilities held for sale reflecting the sale of Ryan Beck to Stifel; and

Increase in other liabilities primarily resulting from $18.9 million of securities available for sale purchased in December 2007 pending settlement in January 2008.

Table of Contents

Liquidity and Capital Resources

BankAtlantic Bancorp, Inc.

The Company s principal source of liquidity is dividends from BankAtlantic. The Company also obtains funds through the issuance of equity and debt securities, and liquidation of equity securities and other investments. The Company uses these funds to contribute capital to its subsidiaries, pay debt service and shareholder dividends, repay borrowings, purchase equity securities and other investments, repurchase Class A common stock and fund operations. The Company s 2007 annual debt service associated with its junior subordinated debentures was approximately $23.1 million. The Company s estimated current annual dividends to common shareholders are approximately $1.1 million. During the fourth quarter of 2007, the Company reduced its quarterly dividend payment to shareholders from $0.0412 per share to $0.005 per share. During the year ended December 31, 2007, the Company received $20.0 million of dividends from BankAtlantic. The declaration and payment of dividends and the ability of the Company to meet its debt service obligations will depend upon the results of operations, financial condition and cash requirements of the Company, as well as the ability of BankAtlantic to pay dividends to the Company. The ability of BankAtlantic to pay dividends or make other distributions to the Company is subject to regulations and Office of Thrift Supervision (OTS) approval and is based upon BankAtlantic s regulatory capital levels and net income. Because BankAtlantic s accumulated deficit for 2006 and 2007 was $23.7 million, BankAtlantic is now required to file an application to receive approval of the OTS in order to pay dividends to the Company. While the OTS has approved dividends to date the OTS would likely not approve any distribution that would cause BankAtlantic to fail to meet its capital requirements or if the OTS believes that a capital distribution by BankAtlantic constitutes an unsafe or unsound action or practice and there is no assurance that the OTS will approve future capital distributions from BankAtlantic.

The Company invests in exchange traded equity securities through a money manager and owns 2,127,354 shares of Stifel common stock and warrants to purchase 481,724 shares of Stifel stock at $36 per share. The fair value of these securities and investments as of December 31, 2007 was $180.6 million. These assets represent a significant potential source of liquidity that may be used to contribute capital to BankAtlantic as appropriate.

While the shares of Stifel common stock and warrants to acquire Stifel shares provide a source of potential liquidity, the Company has agreed that, other than in private transactions, it will not, without Stifel s consent, sell through August 28, 2008 more than one-third of the shares of Stifel common stock received in the sale of Ryan Beck nor more than two-thirds of the shares of Stifel common stock received in connection with the sale from August 29, 2008 through August 28, 2009. Subject to the foregoing restrictions, the Company may from time to time sell Stifel equity securities and use the proceeds for general corporate purposes. Stifel filed a registration statement on June 28, 2007, registering for resale by the Company after August 28, 2007 up to 1,061,547 shares. In January 2008, the Company sold 250,000 shares of Stifel common stock for a gain of $18,000, receiving net proceeds of $10.7 million. Stifel has agreed to register the remaining shares issued to the Company and to grant incidental piggy-back registration rights.

The Stifel agreement also provides for contingent earn-out payments, payable in cash or shares of Stifel common stock, at Stifel s election, based on (a) defined Ryan Beck private client revenues during the two-year period immediately following the merger up to a maximum of $40,000,000 and (b) defined Ryan Beck investment banking revenues equal to 25% of the amount that such revenues exceed $25,000,000 during each of the two twelve-month periods immediately following the merger. The contingent earn-out payments, if any, will be accounted for when earned as additional proceeds from the exchange of Ryan Beck common stock. There is no assurance that we will receive any earn-out payments. The Company has entered into separate agreements with each individual Ryan Beck option holder which allocate certain contingent earn-out payments to them.

The Company has invested $52.3 million in equity securities through a money manager. The equity securities had a fair value of $57.7 million as of December 31, 2007. It is anticipated that these funds will be invested in this manner until needed to fund the operations of the Company and its subsidiaries. The Company in the past has utilized this portfolio of equity securities as a source of liquidity to pay debt service on its borrowings and as a source of funds to repurchase its Class A common stock.

In September 2007 and June 2007, the Company participated in pooled trust preferred securities offerings in which the Company received $5 million and $25 million, respectively, of net cash proceeds. The junior subordinated debentures issued by the Company in connection with the offerings bear interest at three month LIBOR plus 150 basis points and three month LIBOR plus 145 basis points, respectively, and mature in September 2037 and June 2037. The junior subordinated debentures are redeemable five years from their issuance date at a redemption price of 100% of the principal amount plus accrued unpaid interest. The Company used the proceeds from the offering for general corporate purposes.

In May 2006, the Company s Board of Directors approved the repurchase of up to 6,000,000 shares of its Class A common stock. During the years ended December 31, 2007 and 2006, the Company repurchased and retired 559,700 and 5,440,300 shares of Class A common stock available under the May 2006 program at an aggregate purchase price of $7.8 million and $53.8 million, respectively. The Company repurchased all 6,000,000 shares under this program.

The Company s Board of Directors in September 2007 approved a new buyback program for up to an additional 6,000,000 shares of Class A common Stock. Share repurchases will be based on market conditions and the Company s results of operations, financial condition and liquidity requirements. No termination date was set for the buyback program. It is expected that the shares will be purchased on the open market, although we may purchase shares through private transactions. The Company had not repurchased any shares under this new program as of December 31, 2007.

BankAtlantic

In November 2007, the Office of Thrift Supervision terminated the April 2006 Cease and Desist Order entered into by BankAtlantic as a result of previous deficiencies in its compliance with the Bank Secrecy Act. The OTS determined that it was appropriate to terminate the Cease and Desist Order after its examination of BankAtlantic indicated BankAtlantic s compliance with the terms of the Cease and Desist Order.

BankAtlantic s liquidity will depend on its ability to generate sufficient cash to support loan demand, to meet deposit withdrawals, to fund growth and to pay operating expenses. BankAtlantic s securities portfolio provides an internal source of liquidity through its short-term investments as well as scheduled maturities and interest payments. Loan repayments and loan sales also provide an internal source of liquidity.

The FHLB has granted BankAtlantic a line of credit capped at 40% of assets subject to available collateral, with a maximum term of ten years. BankAtlantic had utilized its FHLB line of credit to borrow $1.4 billion as of December 31, 2007. The line of credit is secured by a blanket lien on BankAtlantic s residential mortgage loans and certain commercial real estate and consumer loans. BankAtlantic s remaining available borrowings under this line of credit were approximately $542.5 million at December 31, 2007. BankAtlantic has established lines of credit for up to $512.9 million with other banks to purchase federal funds of which $109 million was outstanding as of December 31, 2007. BankAtlantic has also established a $7.9 million line of credit with the Federal Reserve Bank of Atlanta. BankAtlantic is also a participating institution in the Federal Reserve Treasury Investment Program for up to $50 million in fundings and at December 31, 2007, $50 million of short-term borrowings were outstanding under this program. The above lines of credit are subject to periodic review, may be terminated at any time by the issuer institution and are unsecured. BankAtlantic also has various relationships to acquire brokered deposits and to execute repurchase agreements, which may be utilized as an alternative source of liquidity, if needed. At December 31, 2007, BankAtlantic had $14.7 million and $58.3 million of brokered deposits and securities sold under agreements to repurchase, respectively.

BankAtlantic s commitments to originate and purchase loans at December 31, 2007 were $176.9 million and $61.1 million, respectively, compared to $249 million and $70 million, respectively, at December 31, 2006. At December 31, 2007, total loan commitments to originate represented approximately 5.3% of net loans receivable.

At December 31, 2007, BankAtlantic had agency guaranteed mortgage-backed securities of approximately $67.8 million pledged against securities sold under agreements to repurchase, $161.8 million pledged against public deposits and $59.6 million pledged against the Federal Reserve Treasury Investment program.

BankAtlantic in 2004 began a de novo store expansion strategy and has opened 32 stores since January 2005. BankAtlantic has entered into operating land leases and has purchased various parcels of land for future store construction

Table of Contents

throughout Florida. In response to the current economic environment and its impact on the Company s financial results, BankAtlantic slowed its store expansion program and has transferred $12.5 million of land to real estate held for sale and has committed to subleasing or terminating 12 operating leases that were entered into for the development of future stores. BankAtlantic anticipates opening only four stores during 2008, all of which are anticipated to open during the first quarter of 2008.

BankAtlantic s primary sources of funds are deposits; principal repayments of loans, tax certificates and securities available for sale; proceeds from the sale of loans and securities available for sale; proceeds from securities sold under agreements to repurchase and federal funds purchased; advances from FHLB; interest payments on loans and securities; distributions from income producing real estate joint ventures and other funds generated by operations. These funds were primarily utilized to fund loan disbursements and purchases, deposit outflows, repayments of securities sold under agreements to repurchase, repayments of advances from FHLB, purchases of tax certificates and securities available for sale, payments of maturing certificates of deposit, acquisitions of properties and equipment, investments in income producing joint ventures, operating expenses and to pay dividends to the Company.

A significant source of our liquidity is repayments and maturities of loans and securities. The table below presents the contractual principal repayments and maturity dates of our loan portfolio and securities available for sale at December 31, 2007. The total amount of principal repayments on loans and securities contractually due after December 31, 2008 was $4.5 billion, of which $2.0 billion have fixed interest rates and $2.5 billion have floating or adjustable interest rates. Actual principal repayments may differ from information shown below (in thousands):

	Outstanding at December 31,	**For the Period Ending December 31, (1)**					
	Total	**2008**	**2009-2010**	**2011-2015**	**2016-2020**	**2021-2025**	**>2026**
Commercial real estate	$1,510,588	727,769	389,331	196,595	134,149	59,988	2,756
Residential real estate	2,159,839	59,613	19,136	41,703	284,600	111,866	1,642,921
Consumer (1)	706,934	1,508	3,193	146,294	431,986	123,953	
Commercial business	236,911	131,752	18,920	81,425	4,114	700	
Total loans	$4,614,272	920,642	430,580	466,017	854,849	296,507	1,645,677
Total securities available for sale (2)	$ 789,142	410	331	135,661	37,915	184,462	430,363