BANKATLANTIC BANCORP INC
Form 10-K
March 17, 2008

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.

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PART I
ITEM I. BUSINESS

Except for historical information contained herein, the matters discussed in this document contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. 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.

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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.

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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.

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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%

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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.

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

	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

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

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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

(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:

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.

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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

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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.

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

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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

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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.

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

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.

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.

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

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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.

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PART II

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

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

On 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.

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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

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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

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(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.

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)

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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.

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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.

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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.

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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.

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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.

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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

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.

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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

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.

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BankAtlantic s Non- Interest Income

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

	For the Years Ended December 31,			Change 2007 vs 2006	Change 2006 vs 2005
	2007	2006	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 2006	Change 2006 vs 2005
	2007	**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.

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

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.

Parent Company Results of Operations

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

	For the Years Ended December 31,			Change 2007 vs 2006	Change 2006 vs 2005
	2007	2006	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.

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.

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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

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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

(1) Includes home equity loans.

(2) Does not include $136.2 million of equity

securities.

Loan maturities and sensitivity of loans to changes in interest rates for commercial business and real estate construction loans at December 31, 2007 were (in thousands):

	Commercial Business	Real Estate Construction	Total
One year or less	$ 204,578	405,036	609,614
Over one year, but less than five years	32,249	11,101	43,350
Over five years	84	347	431
	$ 236,911	416,484	653,395
Due After One Year:			
Pre-determined interest rate	$ 32,333	11,448	43,781
Floating or adjustable interest rate			
	$ 32,333	11,448	43,781

BankAtlantic s geographic loan concentration based on outstanding loan balances at December 31, 2007 was:

Florida	57%
Eastern U.S.A.	23%
Western U.S.A.	16%
Central U.S.A	4%
	100%

The loan concentration for BankAtlantic s originated loans is primarily in Florida. The concentration in locations other than Florida primarily relates to purchased wholesale residential real estate loans.

At December 31, 2007, BankAtlantic met all applicable liquidity and regulatory capital requirements. At the indicated dates, BankAtlantic s capital amounts and ratios were (dollars in thousands):

	Actual		Minimum Ratios	
			Adequately Capitalized	Well Capitalized
	Amount	Ratio	Ratio	Ratio
At December 31, 2007:				
Total risk-based capital	$495,668	11.63%	8.00%	10.00%
Tier 1 risk-based capital	$420,063	9.85%	4.00%	6.00%
Tangible capital	$420,063	6.94%	1.50%	1.50%
Core capital	$420,063	6.94%	4.00%	5.00%
At December 31, 2006:				
Total risk-based capital	$529,497	12.08%	8.00%	10.00%
Tier 1 risk-based capital	$460,359	10.50%	4.00%	6.00%
Tangible capital	$460,359	7.55%	1.50%	1.50%
Core capital	$460,359	7.55%	4.00%	5.00%

Savings institutions are also subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). Regulations implementing the prompt corrective action provisions of FDICIA define specific

capital categories based on FDICIA s defined capital ratios, as discussed more fully in Part I under Regulation of Federal Savings Banks .

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Consolidated Cash Flows

A summary of our consolidated cash flows follows (in thousands):

	For the Years Ended December 31,		
	2007	2006	2005
Net cash provided (used) by:			
Operating activities	$ 40,928	$ 3,359	$ 57,339
Investing activities	(22,066)	(205,891)	132,220
Financing activities	(30,183)	174,460	(154,358)
(Decrease) increase in cash and cash equivalents	$ (11,321)	$ (28,072)	$ 35,201

The increase in cash flows from operating activities during 2007 compared to 2006 primarily resulted from a substantial increase in non-interest income from service charges on deposits as well as a significant reduction in advertising and promotion expenses. During 2007, BankAtlantic reduced its marketing expenditures in response to the adverse economic conditions for deposit growth and service charge fees increased primarily due to new deposit accounts. Cash flows from operating activities declined during 2006 compared to 2005 due primarily to lower net income and a decline in proceeds from the sale of loans held for sale.

The increase in cash flows from investing activities during 2007 compared to 2006 was primarily due to a decline in net loan originations and decreased purchases of property and equipment. Commercial loan originations were adversely affected by the recession in the Florida real estate market and the store expansion program was slowed reducing property and equipment expenditures. Cash flows from investing activities declined significantly during 2006 compared to 2005 primarily due to lower proceeds from the sales of securities available for sale and an increase in loan originations and purchases. During 2006, BankAtlantic reinvested funds received from loan repayments primarily in purchased residential loans.

The decrease in cash flows from financing activities primarily resulted from net repayments of FHLB advances as well as the purchase and retirement of the Company s Class A common stock. Cash flows from financing activities increased substantially during 2006 compared to 2005 primarily due to higher short term borrowings partially offset by lower deposit growth.

Off Balance Sheet Arrangements, Contractual Obligations and Loan Commitments

The table below summarizes the Company s loan commitments at December 31, 2007 (in thousands):

	Amount of Commitment Expiration Per Period				
Commercial Commitments	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	After 5 years
Lines of credit	$ 767,147	100,828			666,319
Standby letters of credit	41,151	41,151			
Other commercial commitments	238,043	238,043			
Total commercial commitments	$ 1,046,341	380,022			666,319

Lines of credit are primarily revolving lines to home equity loan and business loan customers. The business loans usually expire in less than one year and the home equity lines generally expire in 15 years.

Standby letters of credit are conditional commitments issued by BankAtlantic to guarantee the performance of a customer to a third party. BankAtlantic standby letters of credit are generally issued to customers in the construction industry

guaranteeing project performance. These types of standby letters of credit had a maximum exposure of $13.3 million at December 31, 2007. BankAtlantic also issues standby letters of credit to commercial lending customers guaranteeing the payment of goods and services. These types of standby letters of credit had a maximum exposure of $27.8 million at December 31, 2007. Those guarantees are primarily issued to support public and private borrowing arrangements and have maturities of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. BankAtlantic may hold certificates of deposit and residential and commercial real estate liens as collateral for such commitments, similar to other types of borrowings.

Other commercial commitments are agreements to lend funds to a customer as long as there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BankAtlantic evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral required by BankAtlantic in connection with an extension of credit is based on management s credit evaluation of the counter-party.

At December 31, 2007, the Company did not have off balance sheet arrangements that would have a material effect on the Company s consolidated financial statements.

The table below summarizes the Company s contractual obligations at December 31, 2007 (in thousands):

		Payments Due by Period (2)			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Time deposits	$1,018,595	865,080	119,867	33,543	105
Long-term debt	320,849			22,000	298,849
Advances from FHLB (1)	1,397,044	1,215,044	182,000		
Operating lease obligations held for sublease	51,245	1,530	4,057	4,152	41,506
Operating lease obligations held for use	86,115	10,010	16,053	11,243	48,809
Pension obligation	15,041	983	2,588	2,873	8,597
Other obligations	24,947	5,097	5,600	6,250	8,000
Total contractual cash obligations	$2,913,836	2,097,744	330,165	80,061	405,866

(1) Payments due by period are based on contractual maturities

(2) The above table excludes interest payments on interest bearing liabilities

Long-term debt primarily consists of the junior subordinated debentures issued by the Company as well as BankAtlantic s subordinated debentures and mortgage backed bonds.

Operating lease obligations held for use represent minimum future lease payments in which the Company is the lessee for real estate and equipment leases.

Operating lease obligations held for sublease represent minimum future lease payments on executed leases that the Company intends to sublease or terminate. These lease agreements were primarily initiated in connection with BankAtlantic s store expansion program.

The pension obligation represents the accumulated benefit obligation of the Company s defined benefit plan at December 31, 2007. The payments represent the estimated benefit payments through 2017, the majority of which will be funded through plan assets. The table does not include estimated benefit payments after 2017. The actuarial present value of the projected accumulated benefit obligation was $28.9 million at December 31, 2007.

Other obligations are legally binding agreements with vendors for the purchase of services, land and materials associated with BankAtlantic s store expansion initiatives as well as advertising, marketing and sponsorship contracts.

Pursuant to the agreement for the sale of Ryan Beck to Stifel, the Company agreed to indemnify Stifel and its affiliates against third party claims attributable to the conduct or activities of Ryan Beck prior to the merger. This indemnification is subject to specified thresholds and time periods and to a cap of $20 million. The Company also agreed to indemnify Stifel against federal tax liabilities and claims relating to the ownership interests in Ryan Beck.

During the fourth quarter of 2006, BankAtlantic initiated an investment strategy whereby agency securities were purchased and a call option was written on the purchased agency securities. When utilizing this strategy, BankAtlantic is subject to the off-balance sheet risk of foregoing the appreciation on the agency securities in exchange for the option premium and the potential of owning out-of-the-money agency securities if interest rates rise. No call option contracts were outstanding as of December 31, 2007.

Critical Accounting Policies

Management views critical accounting policies as accounting policies that are important to the understanding of our financial statements and also involve estimates and judgments about inherently uncertain matters. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated statements of financial condition and assumptions that affect the recognition of income and expenses on the consolidated statement of operations for the periods presented. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in subsequent periods relate to the determination of the allowance for loan losses, evaluation of goodwill and other intangible assets for impairment, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the valuation of the fair value of assets and liabilities in the application of the purchase method of accounting, the amount of the deferred tax asset valuation allowance, accounting for uncertain tax positions, accounting for contingencies, and assumptions used in the valuation of stock based compensation. The eight accounting policies that we have identified as critical accounting policies are: (i) allowance for loan losses; (ii) valuation of securities as well as the determination of other-than-temporary declines in value; (iii) impairment of goodwill and other indefinite life intangible assets; (iv) impairment of long-lived assets; (v) accounting for business combinations; (vi) accounting for uncertain tax positions (vii) accounting for contingencies; and (viii) accounting for share-based compensation. We have discussed the critical accounting estimates outlined below with our audit committee of our board of directors, and the audit committee has reviewed our disclosure. See note #1, Summary of Significant Accounting Policies to the Notes to Consolidated Financial Statements , for a detailed discussion of our significant accounting policies.

Allowance for loan losses

The allowance for loan losses is maintained at an amount that we believe to be adequate to absorb probable losses inherent in our loan portfolio. We have developed policies and procedures for evaluating our allowance for loan losses which consider all information available to us. However, we must rely on estimates and judgments regarding issues where the outcome is unknown. As a consequence, if circumstances differ from our estimates and judgments the allowance for loan losses may decrease or increase significantly.

The calculation of our allowance for loan losses consists of two components. The first component requires us to identify impaired loans based on management classification and, if necessary, assign a valuation allowance to the impaired loans. Valuation allowances are established using management estimates of the fair value of collateral or based on valuation models that present value estimated expected future cash flows. These valuations are based on available information and require estimates and subjective judgments about fair values of the collateral or expected future cash flows. Most of our loans do not have an observable market price and an estimate of the collection of contractual cash flows is based on the judgment of management. It is likely that we would obtain materially different results if different assumptions or conditions were to prevail. This would include updated information that came to management s attention about the loans or a change in the current economic environment. As a consequence of the estimates and assumptions required to calculate the first component of our allowance for loan losses, a change in these highly uncertain estimates could have a materially favorable or unfavorable impact on our financial condition and results of operations.

The second component of the allowance requires us to group loans that have similar credit risk characteristics so as to form a basis for estimating probable losses inherent in the group of loans based on historical loss percentages and delinquency trends as it relates to the group. Management assigns a quantitative allowance to these groups of loans by utilizing historical loss experiences. Management also assigns a qualitative allowance to these groups of loans in order to adjust the historical data for qualitative factors that exist currently that were not present in the historical data. These qualitative factors include delinquency trends, loan classification migration trends, economic and business conditions, concentration of credit risk, loan-to-value ratios, problem loan trends and external factors. In deriving the qualitative allowance management uses significant judgment to qualitatively adjust the historical loss experiences for current trends that existed at period end that were not reflected in the calculated historical loss ratios and to adjust the allowance for the changes in the current economic climate compared to the economic environment that existed historically. A subsequent change in data trends or the external environment may result in material changes in this component of the allowance from period to period.

Management believes that the allowance for loan losses reflects a reasonable estimate of incurred credit losses as of the statement of financial condition date. As of December 31, 2007, our allowance for loan losses was $94.0 million. See Provision for Loan Losses for a discussion of the amounts of our allowance assigned to each loan product. The estimated allowance derived from the above methodology may be significantly different from actual realized losses. Actual losses incurred in the future are highly dependent upon future events, including the economies of geographic areas in which we hold loans. These uncertainties are beyond management s control. Accordingly, there is no assurance that we will not incur credit losses far in excess of the amounts estimated by our allowance for loan losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to recognize additions to the allowance based on their judgments and information available to them at the time of their examination.

We periodically analyze our loan portfolio by monitoring the loan mix, credit quality, historical trends and economic conditions. As a consequence, our allowance for loan losses estimates will change from period to period. A portion of the change in our loan loss estimates during the four year period ended December 31, 2006 resulted from changes in credit policies which focused our loan production on collateral based loans and the discontinuation of certain loan products. We believe that these changes reduced our allowance for loan losses as measured by the decline in our allowance to loan losses to total loans from 1.38% at December 31, 2002 to 0.94% at December 31, 2006. During this period real estate markets experienced significant price increases accompanied by an abundance of available mortgage financing. We believe that these external factors favorably impacted our provision for loan losses and allowance for loan losses through this four year period. During the year ended December 31, 2007 the real estate housing market rapidly deteriorated with significant reduction in the prices and sales volume of residential real estate. These rapidly deteriorating real estate market conditions resulted in a significant increase in our ratio of allowance for loan losses to total loans from 0.94% at December 31, 2006 to 2.04% at December 31, 2007. We believe that our earnings in subsequent periods will be highly sensitive to changes in the real estate environment especially in Florida. If the current negative real estate economic conditions continue or deteriorate further we are likely to experience significant increased credit losses.

Valuation of investment securities

We record our securities available for sale and derivative instruments in our statement of financial condition at fair value. We also disclose fair value estimates in our statement of financial condition for investment securities at cost. We use the following three methods for valuation: quoted market prices, matrix pricing, and a management valuation model. Our policy is to use quoted market prices when available. Quoted market prices are available for equity securities, but quoted market prices are not available for our mortgage-backed securities, REMIC s, other securities and certain equity securities.

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The following table provides the sources of fair value for our securities and derivative instruments at December 31, 2007 (in thousands):

	Quoted Market Prices	Matrix Pricing	Valuation Model	Total
Securities:				
Mortgage-backed securities	$	589,619		589,619
Real estate mortgage conduits		198,842		198,842
Other securities			681	681
Total debt securities		788,461	681	789,142
Private investment securities	8,091			8,091
Derivatives			10,661	10,661
Stifel common stock	107,078			107,078
Equity securities	64,240		1,500	65,740
Total equity securities	179,409		12,161	191,570
Total	$179,409	788,461	12,842	980,712

Private investment securities represent investments in limited partnerships that invest in equity securities based on proprietary investment strategies. The majority of the underlying equity securities investments of the limited partnerships are publicly traded. The fair value of these investments in our statement of financial condition was obtained from the general partner. These limited partnership investments do not have readily determinable fair values and the fair values stated by the general partners of our interest in the limited partnerships do not represent actual transactions and amounts realized upon the sale of our interest in these investments may be higher or lower than the amounts disclosed. These investments are accounted for at historical cost and evaluated for other than temporary declines in value.

Stifel common stock is publicly traded on the New York Stock Exchange. The fair value of the Stifel stock on our consolidated statement of financial condition was obtained from the closing price of Stifel stock on the New York Stock Exchange as of December 31, 2007 discounted $17.9 million for sales restrictions on the shares pursuant to the terms of the Ryan Beck/Stifel sale agreement. The discount was determined by performing a put option analysis using a Black-Scholes model with observable market inputs. We adjust the Stifel common stock that can be sold within one year to fair value with a corresponding increase or decrease, net of income taxes, to other comprehensive income. The Stifel stock subject to sales restrictions of more than one year is accounted for as investment securities at cost. The value of these securities may increase or decrease significantly based on general equity market conditions and the earnings and financial condition of Stifel.

Equity securities trade daily on various stock exchanges or inter-dealer quotation systems. The fair value of these securities in our statement of financial condition is based on the closing price quotations or sales prices at period end. The closing quotation or sales price excludes retail markups, markdowns or commissions and does not necessarily represent actual transactions. We adjust our equity securities available for sale to fair value with a corresponding increase or decrease, net of income taxes, to other comprehensive income. Declines in the fair value of securities below their cost that are other than temporary result in write-downs of the securities to their fair value through charges to earnings.

We subscribe to a third-party service to obtain matrix pricing to determine the fair value of our mortgage-backed securities and real estate mortgage conduits as set forth in the table above. The matrix pricing computes the fair value

of mortgage-backed securities and real estate mortgage conduits based on the coupon rate, maturity date and estimates of future prepayment rates. We use matrix pricing to value these securities as quoted market prices are unavailable for these types of securities. The valuations obtained from the matrix pricing are not actual transactions and may not reflect the actual amount that would be realized upon sale. The interest rate and prepayment assumptions used in the matrix pricing are representative of assumptions that we believe market participants would use in valuing these securities, while different assumptions may result in significantly different results. We adjust our debt securities available for sale to fair value with a corresponding increase or

decrease, net of income taxes, to other comprehensive income.

Derivatives are warrants to acquire Stifel common stock at an exercise price of $36.00 per share. We use a Black-Scholes option pricing model to value these warrants. Stifel common stock is publicly traded on the New York Stock Exchange allowing us to incorporate market observable inputs into the option pricing model. The valuations obtained from the option pricing model are not actual transactions and may not reflect the actual amount that would be realized upon sale. The assumptions used in the option pricing model are representative of assumptions that we believe market participants would use in valuing these securities, while different assumptions may result in significantly different results. We adjust the warrants to fair value with a corresponding increase or decrease, net of income taxes, to securities activities, net in our statement of operations.

At December 31, 2007, the fair value associated with debt securities held by us was $789.1 million. If interest rates were to decline by 200 basis points, we estimate that the fair value of our debt securities portfolio would increase by $12.2 million. In contrast, if interest rates were to increase by 200 basis points, we estimate that the fair value of our debt securities would decline by $36.3 million. The above changes in value are based on various assumptions concerning prepayment rates and shifts in the interest rate yield curve and do not take into account any mitigating steps that management might take in response to changes in interest rates. We are likely to obtain significantly different results if these assumptions were changed.

Impairment of Goodwill and Other Intangible Assets

We test goodwill for impairment annually. The test requires us to determine the fair value of our reporting units and compare the reporting units fair value to its carrying value. The fair values of the reporting units are estimated using discounted cash flow present value techniques and management valuation models. While management believes the sources utilized to arrive at the fair value estimates are reliable, different sources or methods could have yielded different fair value estimates. These fair value estimates require a significant amount of judgment. Changes in management s valuation of its reporting units may affect future earnings through the recognition of a goodwill impairment charge. At September 30, 2007 (our goodwill impairment testing date) the fair value of our reporting units was greater than their carrying value; therefore, goodwill was not impaired. If the fair value of our reporting units were to decline below the carrying amount we would have to perform the second step of the impairment test. This step requires us to fair value all assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation. This allocation will include core deposit intangible assets that are currently not recognized on our financial statements. These unrecognized assets may result in a significant impairment of goodwill. At December 31, 2007, total goodwill from continuing operations was $70.5 million.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing a long-lived asset for recoverability, it may be necessary to review estimated lives and adjust the depreciation period. Changes in circumstances and the estimates of future cash flows as well as evaluating estimated lives of long-lived assets are subjective and involve a significant amount of judgment. A change in the estimated life of a long-lived asset may substantially increase depreciation and amortization expense in subsequent periods. For purposes of recognition and measurement of an impairment loss, we are required to group long-lived assets at the lowest level for which identifiable cash flows are independent of other assets. These cash flows are based on projections from management reports which are based on subjective interdepartmental allocations. Fair values are not available for many of our long-lived assets, and estimates must be based on available information, including prices of similar assets and present value valuation techniques. Long-lived assets subject to the above impairment analysis included property and equipment, internal-use software, real estate held for development and sale and real estate owned. At December 31, 2007, the balance of these assets was $294.8 million.

Our core deposit intangible assets are periodically reviewed for impairment at the store level by reviewing the undiscounted cash flows by store in order to assess recoverability. At December 31, 2007, our core deposit intangible asset was $5.4 million. The undiscounted cash flows of the stores assigned to the core deposit intangible asset exceeded its carrying amount at September 30, 2007.

During the fourth quarter of 2007, we slowed our store expansion program and recorded asset impairments of $4.8 million. We recognized $1.1 million impairment on properties acquired for store expansion and transferred the properties at fair value to real estate held for development and sale. The fair value of the properties was based on market-based estimates and the amount ultimately realized upon the sale of these properties may be higher or lower than the recorded amounts. We also recognized a $3.2 million impairment charge for engineering and architectural costs associated with obtaining permits for future store sites. We also recorded liabilities of $1.0 million for costs that will continue to be incurred under executed operating lease contracts with no future benefits resulting from the delay in our store expansion program and the consolidation of certain back-office facilities. These lease contracts were measured at fair value on the cease-use date. The fair value of the lease contracts was derived primarily from annual rental rates on similar properties. The fair values obtained from rental rates for similar properties may not reflect rents that would be received upon sublease. The assumptions used are representative of assumptions that we believe market participants would use in fair valuing these lease contracts, while different assumptions may result in significantly different results.

Accounting for Business Combinations

The Company accounts for its business combinations based on the purchase method of accounting. The purchase method of accounting requires us to fair value the tangible net assets and identifiable intangible assets acquired. The fair values are based on available information and current economic conditions at the date of acquisition. The fair values may be obtained from independent appraisers, discounted cash flow present value techniques, management valuation models, quoted prices on national markets or quoted market prices from brokers. These fair value estimates will affect future earnings through the disposition or amortization of the underlying assets and liabilities. While management believes the sources utilized to arrive at the fair value estimates are reliable, different sources or methods could have yielded different fair value estimates. Such different fair value estimates could affect future earnings through different values being utilized for the disposition or amortization of the underlying assets and liabilities acquired.

Accounting for Contingencies

Contingent liabilities consist of liabilities that we may incur in connection with our indemnity obligation to Stifel in connection with the sale of Ryan Beck to Stifel, and litigation, regulatory and tax uncertainties arising from the conduct of our business activities. We establish reserves for legal, regulatory and other claims when it becomes probable that we will incur a loss and the loss is reasonably estimated. We have attorneys, consultants and other professionals to assist with assessing the probability of the estimated amounts. Changes in these assessments can lead to changes in the recorded reserves and the actual costs of resolving the claims may be substantially higher or lower than the amounts reserved for the claim. The amount reserved for contingencies is based on management s judgment on uncertain events in which changes in circumstances could significantly affect the amounts recorded in the Company s financial statements. At December 31, 2007, total reserves for contingent liabilities included in other liabilities were $1.2 million.

Accounting for Uncertain Tax Positions

The Company accounts for uncertain tax positions in accordance with FIN 48. An uncertain tax position is defined by FIN 48 as a position in a previously filed tax return or a position expected to be taken in a future tax return that is not based on clear and unambiguous tax law and which is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The application of income tax law is inherently complex. The Company is required to determine if an income tax position meets the criteria of more-likely-than-not to be realized based on the merits of the position under tax laws, in order to recognize an income tax benefit. This requires the Company to make many assumptions and judgments regarding merits of income tax positions and the application of income tax law. Additionally, if a tax position meets the recognition criteria of more-likely-than-not the Company is required to make judgments and assumptions to measure the amount of the tax benefits to recognize based on the probability of the amount of tax benefits that would be realized if the tax position was challenged by the taxing authorities. Interpretations and guidance surrounding income tax laws and regulations change over time. As a consequence, changes in assumptions and judgments can materially affect amounts recognized in the consolidated statements of financial condition and the consolidated statements of operations.

Share-based Compensation

The Company adopted SFAS 123R as of January 1, 2006 and began recognizing compensation costs based on the fair value of the stock-based award at the grant date. The Company currently uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of option awards using the Black Scholes option-pricing model is affected by the stock price and assumptions regarding the expected stock price volatility over the expected term of the awards, expected term of the awards, risk-free interest rate and expected dividends. If circumstances require that the Company alters the assumptions used for estimating stock-based compensation expense in future periods or if the Company decides to use a different valuation model, the recorded expenses in future periods may differ significantly from the amount recorded in the current period and could affect net income and earnings per share.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. These characteristics are not present in the Company s option awards. Existing valuation models, including the Black-Scholes and lattice binomial models, may not provide reliable measures of the fair values of stock options. As a consequence, the Company s estimates of the fair values of stock option awards on the grant dates may be materially different than the actual values realized on those option awards in the future. Employee stock options may expire worthless while the Company records compensation expense in its financial statements. Also, amounts may be realized from exercises of stock options that are significantly higher than the fair values originally estimated on the grant date and recorded in the Company s financial statements.

Dividends

The availability of funds for dividend payments depends upon BankAtlantic s ability to pay dividends to the Company. Current regulations applicable to the payment of cash dividends by savings institutions impose limits on capital distributions based on an institution s regulatory capital levels, retained net income and net income. See Risk Factors BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits and Regulation and Supervision Limitation on Capital Distributions.

Subject to the results of operations and regulatory capital requirements for BankAtlantic, we will seek to declare regular quarterly cash dividends on our common stock.

Impact of Inflation

The financial statements and related financial data and notes presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, virtually all of our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general price levels. Although interest rates generally move in the same direction as inflation, the magnitude of such changes varies. The possible effect of fluctuating interest rates is discussed more fully under the section entitled Consolidated Interest Rate Risk In Item 7A below.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Consolidated Market Risk

Market risk is defined as the risk of loss arising from adverse changes in market valuations which arise from interest rate risk, foreign currency exchange rate risk, commodity price risk and equity price risk. Our primary market risk is interest rate risk and our secondary market risk is equity price risk.

Consolidated Interest Rate Risk

The amount of BankAtlantic s interest earning assets and interest-bearing liabilities expected to reprice, prepay or mature in each of the indicated periods was as follows (in thousands):

BankAtlantic Repricing Gap Table
As of December 31, 2007

	1 Year or Less	3 Years or Less	5 Years or Less	More Than 5 Years	Total
Interest earning assets:					
Loans:					
Residential loans (1)					
Fixed rate	$ 175,170	132,347	93,301	311,344	712,162
Hybrids ARM 5 years or less	102,127	76,831	4,225		183,183
Hybrids ARM more than 5 years	410,712	294,147	250,007	318,486	1,273,352
Commercial loans	1,100,001	137,273	53,399	136,273	1,426,946
Small business loans	194,591	83,926	26,525	11,691	316,733
Consumer	676,212	5,746	3,984	19,890	705,832
Total loans	2,658,813	730,270	431,441	797,684	4,618,208
Investment securities					
Mortgage backed securities	297,125	229,248	105,317	154,677	786,367
Taxable investment securities	71,505	250		2,248	74,003
Tax certificates	188,401				188,401
Total investment securities	557,031	229,498	105,317	156,925	1,048,771
Total interest earning assets	3,215,844	959,768	536,758	954,609	5,666,979
Total non-earning assets				494,983	494,983
Total assets	$ 3,215,844	959,768	536,758	1,449,592	6,161,962
Total interest bearing liabilities	$ 3,424,912	494,525	242,964	1,464,675	5,627,076
Non-interest bearing liabilities				534,886	534,886
Total non-interest bearing liabilities and equity	$ 3,424,912	494,525	242,964	1,999,561	6,161,962
GAP (repricing difference)	$ (209,068)	465,243	293,794	(510,066)	
Cumulative GAP	$ (209,068)	256,175	549,969	39,903	
Repricing Percentage	-3.39%	7.55%	4.77%	-8.28%	

Cumulative Percentage	-3.39%	4.16%	8.93%	0.65%

(1) Hybrid adjustable rate mortgages (ARM) earn fixed rates for designated periods and adjust annually thereafter based on the one year U.S. Treasury note rate.

BankAtlantic s residential loan portfolio includes $1.1 billion of interest-only loans. These loans are scheduled to reprice as follows (in thousands):

Year Ending December 31,	Amount (1)
2008	$ 49,351
2009	46,149
2010	49,279
2011	94,837
2012	76,791
Thereafter	802,402
Total interest only loans	$ 1,118,809

(1) The above table assumes no prepayments.

The majority of BankAtlantic s assets and liabilities are monetary in nature, subjecting us to significant interest rate risk because our assets and liabilities reprice at different times, market interest rates change differently among each rate indices and certain interest earning assets, primarily residential loans, may be prepaid before maturity as interest rates change.

We have developed a model using standard industry software to measure our interest rate risk. The model performs a sensitivity analysis that measures the effect on our net interest income of changes in interest rates. The model measures the impact that parallel interest rate shifts of 100 and 200 basis points would have on our net interest income over a 12 month period.

The model calculates the change in net interest income by:

i. Calculating interest income and interest expense from existing assets and liabilities using current repricing, prepayment and volume assumptions,

ii. Estimating the change in expected net interest income based on instantaneous and parallel shifts in the yield curve to determine the effect on net interest income; and

iii. Calculating the percentage change in net interest income calculated in (i) and (ii).

Management has made estimates of cash flow, prepayment, repricing and volume assumptions that it believes to be reasonable. Actual results will differ from the simulated results due to changes in interest rates that differ from the assumptions in the simulation model.

Certain assumptions by the Company in assessing the interest rate risk during 2007 were utilized in preparing the following table. These assumptions related to:

Interest rates,

Loan prepayment rates,

Deposit decay rates,

Re-pricing of certain borrowings

Reinvestment in earning assets.

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The prepayment assumptions used in the model are:

Fixed rate mortgages	20 %
Fixed rate securities	20 %
Tax certificates	10 %
Adjustable rate mortgages	27 %
Adjustable rate securities	36 %

Deposit runoff assumptions used in the model are as follows:

	Within 1 Year	**1-3 Years**	**3-5 Years**	**Over 5 Years**
Money fund savings accounts decay rates	17%	17%	16%	14%
NOW and savings accounts decay rates	37%	32%	17%	17%

Presented below is an analysis of the Company s estimated net interest income over a twelve month period calculated utilizing the Company s model (dollars are in thousands):

As of December 31, 2007

Changes in Rate	**Net Interest Income**	**Percent Change**
+200 bp	$187,031	-7.81%
+100 bp	$198,147	-2.33%
0	$202,876	
-100 bp	$203,331	0.22%
-200 bp	$204,354	0.73%

As of December 31, 2006

Changes in Rate	**Net Interest Income**	**Percent Change**
+200 bp	$241,341	-5.94%
+100 bp	$252,047	-1.74%
0	$256,482	
-100 bp	$256,485	0.00%
-200 bp	$252,346	-1.62%

BankAtlantic Bancorp has $294.2 million of outstanding junior subordinated debentures of which $159.8 million bear interest at variable rates and adjust quarterly, $57.1 million bear interest at an 8.5% fixed rate and $77.3 million bear interest at a weighted average rate of 6.46% and will adjust quarterly in periods after April 2008. As of December 31, 2007 $185.9 million of the junior subordinated debentures are callable, $77.3 million are callable in 2008 and $30.9 million are callable in 2012.

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Equity Price Risk

We also own a portfolio of equity securities, Stifel common stock and Stifel warrants in our Parent Company segment that subject us to equity pricing risks which arise as the relative values of our equity investments change in response to market or economic conditions. The change in fair values of equity investments represents instantaneous changes in all equity prices. The following are hypothetical changes in the fair value of equity securities at December 31, 2007 based on percentage changes in fair value. Actual future price appreciation or depreciation may be different from the changes identified in the table below (dollars in thousands):

Percent Change in Fair Value	Equity Securities Fair Value	Dollar Change
20%	$163,465	$ 27,244
10%	$149,843	$ 13,622
0%	$136,221	$
-10%	$122,599	$(13,622)
-20%	$108,977	$(27,244)

Excluded from the above table was $1.5 million of investments in private companies and $6.7 million of investments in limited partnerships for which no current market exists. The limited partnerships primarily invest in companies in the financial services industry and the general partners have advised us that the fair value of their investment holdings were $8.1 million at December 31, 2007. The ability to realize on or liquidate these investments will depend on future market conditions and is subject to significant uncertainty.

The Company is subject to equity pricing risks associated with the Stifel equity securities received in the sale of Ryan Beck. The value of these securities will vary based on the results of operations and financial condition of Stifel, the general liquidity of Stifel common stock, general equity market conditions and the brokerage industry volatility. The trading market for Stifel shares may not be liquid enough to permit 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 (See Item 1A. Risk Factors Our portfolio of equity securities subjects us to equity pricing risks).

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness, as of December 31, 2007, of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2007. PricewaterhouseCoopers LLP, an independent registered certified public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2007 as stated in its report which appears herein.

/s/ Alan B. Levan

Alan B. Levan
Chairman, and
Chief Executive Officer

/s/ Valerie C. Toalson

Valerie C. Toalson
Executive Vice President
Chief Financial Officer

March 17, 2008

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Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders of
BankAtlantic Bancorp, Inc.

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of operations, stockholders equity and comprehensive income, and cash flows present fairly, in all material respects, the financial position of BankAtlantic Bancorp, Inc. and its subsidiaries (the Company) at December 31, 2007 and December 31, 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 17 to the financial statements, in 2006 the Company changed its method of accounting for share-based compensation.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also,

projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 17, 2008

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
(In thousands, except share data)	**2007**	**2006**
ASSETS		
Cash and due from depository institutions (See Note 20)	$ 118,943	$ 133,182
Federal funds sold and other short-term investments (See Note 5)	5,631	5,722
Securities available for sale (at fair value) (See Notes 6,14,15)	925,363	651,316
Financial instruments accounted for at fair value (See Note 3, 24)	10,661	
Investment securities at cost or amortized cost (approximate fair value: $44,688 and $209,020) (See Notes 3,7 and 15)	39,617	206,682
Tax certificates net of allowance of $3,289 and $3,699 (See Note 8)	188,401	195,391
Federal Home Loan Bank stock, at cost which approximates fair value (See Notes 13 and 20)	74,003	80,217
Residential loans held for sale (See Notes 9, 13)	4,087	9,313
Loans receivable, net of allowance for loan losses of $94,020 and $43,602 (See Notes 9,13,14,16)	4,520,101	4,586,607
Accrued interest receivable (See Note 10)	46,271	47,673
Real estate held for development and sale (See Note 26)	33,741	25,333
Real estate owned (See Note 9)	17,216	21,747
Investments in unconsolidated subsidiaries (See Note 27)	13,083	15,069
Office properties and equipment, net (See Note 11)	243,863	219,717
Deferred tax asset, net (See Notes 18)	32,064	13,593
Goodwill (See Note 1)	70,490	70,490
Core deposit intangible asset, net (See Note 1)	5,396	6,834
Discontinued operations assets held for sale (See Note 3)		190,763
Other assets (See Notes 16, 19)	29,886	16,013
Total assets	$ 6,378,817	$ 6,495,662
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits		
Interest bearing deposits	$ 3,129,194	$ 2,871,116
Non-interest bearing deposits	824,211	995,920
Total deposits (See Note 12)	3,953,405	3,867,036
Advances from FHLB (See Note 13)	1,397,044	1,517,058
Securities sold under agreements to repurchase (See Note 15)	58,265	101,932
Federal funds purchased and other short term borrowings (See Note 14)	108,975	32,026
Subordinated debentures and mortgage-backed bonds (See Note 16)	26,654	29,923
Junior subordinated debentures (See Note 16)	294,195	263,266
Discontinued operations liabilities held for sale (See Note 3)		95,246
Other liabilities (See Note 4)	80,958	64,193
Total liabilities	5,919,496	5,970,680

Commitments and contingencies (See Note 20)		
Stockholders equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding		
Class A common stock, $.01 par value, authorized 80,000,000 shares; issued and outstanding 51,196,175 and 56,157,425 shares	512	562
Class B common stock, $.01 par value, authorized 45,000,000 shares; issued and outstanding 4,876,124 and 4,876,124 shares	49	49
Additional paid-in capital	216,692	260,460
Retained earnings	236,150	265,089
Total stockholders equity before accumulated other comprehensive income (loss)	453,403	526,160
Accumulated other comprehensive income (loss)	5,918	(1,178)
Total stockholders equity	459,321	524,982
Total liabilities and stockholders equity	$ 6,378,817	$ 6,495,662

See Notes to Consolidated Financial Statements

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	For the Years Ended December 31, 2007	2006	2005
Interest income:			
Interest and fees on loans	$ 313,998	$ 312,960	$ 293,250
Interest and dividends on securities available for sale	22,099	17,574	19,673
Interest on tax exempt securities	12,700	15,289	14,422
Interest and dividends on taxable investments and tax certificates	22,836	21,354	18,549
Total interest income	371,633	367,177	345,894
Interest expense:			
Interest on deposits (See Note 12)	84,476	58,959	40,084
Interest on advances from FHLB	73,256	66,492	62,175
Interest on securities sold under agreements to repurchase and federal funds purchased	9,573	15,089	9,599
Interest on secured borrowings		2,401	10,144
Interest on subordinated debentures, notes and bonds payable, and junior subordinated debentures	25,552	25,045	21,786
Capitalized interest on real estate development		(929)	(1,879)
Total interest expense	192,857	167,057	141,909
Net interest income	178,776	200,120	203,985
Provision for (recovery from) loan losses (See Note 9)	70,842	8,574	(6,615)
Net interest income after provision for (recovery from) loan losses	107,934	191,546	210,600
Non-interest income:			
Service charges on deposits	102,639	90,472	61,956
Other service charges and fees	28,950	27,542	23,347
Securities activities, net (See Note 6)	8,412	9,813	847
Income (loss) from real estate operations (See Note 26)	538	(982)	4,480
Income from unconsolidated subsidiaries (See Note 27)	2,500	1,667	621
Gains associated with debt redemption (See Note 13)		1,528	
(Losses) gains on dispositions of office properties and equipment, net	(1,121)	1,627	1,200
Gains on sales of loans, net	494	680	742
Other	9,420	10,269	9,106
Total non-interest income	151,832	142,616	102,299
Non-interest expense:			
Employee compensation and benefits (See Notes 17,19)	151,178	150,804	117,573
Occupancy and equipment (See Note 11)	65,851	57,308	41,621
Advertising and promotion	20,002	35,067	27,317

Check losses	11,476	8,615	5,176
Professional fees	8,690	8,291	10,590
Supplies and postage	6,146	6,853	5,669
Telecommunication	5,571	4,785	3,948
Amortization of intangible assets	1,437	1,561	1,627
Cost associated with debt redemption (See Note 13)		1,457	
Fines and penalties, compliance matters (See Note 20)			10,000
Restructuring charges, impairments and exit activities (See Note 4)	8,351		3,706
Impairment of real estate held for sale	5,240		
Impairment of real estate owned (See Note 9)	7,299	9	
Other	26,109	25,436	19,743
Total non-interest expense	317,350	300,186	246,970
(Loss) income from continuing operations before income taxes	(57,584)	33,976	65,929
(Benefit) provision for income taxes (See Note 18)	(27,572)	7,097	23,403
(Loss) income from continuing operations	(30,012)	26,879	42,526
Discontinued operations (less applicable income taxes (benefit) provision of ($4,124), ($8,001) and $10,095 (See Note 3, 18)	7,812	(11,492)	16,656
Net (loss) income	$ (22,200)	$ 15,387	$ 59,182

(CONTINUED)

See Notes to Consolidated Financial Statements

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2007	**2006**	**2005**
Basic (loss) earnings per share (See Note 25)			
Continuing operations	$ (0.52)	$ 0.44	$ 0.70
Discontinued operations	0.14	(0.19)	0.28
Basic (loss) earnings per share	$ (0.38)	$ 0.25	$ 0.98
Diluted (loss) earnings per share (See Note 25)			
Continuing operations	$ (0.52)	$ 0.43	$ 0.67
Discontinued operations	0.14	(0.18)	0.25
Diluted (loss) earnings per share	$ (0.38)	$ 0.25	$ 0.92
Cash dividends per Class A share	$ 0.128	$ 0.158	$ 0.146
Cash dividends per Class B share	$ 0.128	$ 0.158	$ 0.146
Basic weighted average number of common shares outstanding	58,161,567	61,095,458	60,426,107
Diluted weighted average number of common and common equivalent shares outstanding	58,161,567	62,563,201	63,119,531

See Notes to Consolidated Financial Statements

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BankAtlantic Bancorp, Inc.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
For Each of the Years in the Three Year Period Ended December 31, 2007

(In thousands)	Compre-hensive Income	Common Stock	Addi-tional Paid-in Capital	Retained Earnings	Unearned Compen-sation Restricted Stock Grants	Accumul-ated Other Compre-hensive loss	Total
BALANCE, DECEMBER 31, 2004		$ 601	259,702	210,955	(1,001)	(992)	469,265
Net income	$ 59,182			59,182			59,182
Other comprehensive (loss), net of tax:							
Unrealized losses on securities available for sale (less income tax benefit of $2,204)	(3,812)						
Minimum pension liability (less income tax benefit of $942)	(989)						
Reclassification adjustment for net gain included in net income (less income tax expense of $305)	(542)						
Other comprehensive loss	(5,343)					(5,343)	(5,343)
Comprehensive income	$ 53,839						
Dividends on Class A common stock				(8,145)			(8,145)
Dividends on Class B common stock				(713)			(713)
Issuance of Class A common stock upon exercise of stock options		10	2,318				2,328
Issuance of Class A restricted stock			174		(174)		
Tax effect relating to share-based compensation			4,538				4,538
Retirement of Class A common stock relating to exercise of stock options		(3)	(4,665)				(4,668)
Amortization of unearned compensation - restricted stock grants					239		239
Retirement of Ryan Beck common stock			(347)				(347)
BALANCE, DECEMBER 31, 2005		$ 608	261,720	261,279	(936)	(6,335)	516,336

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BankAtlantic Bancorp, Inc.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
For Each of the Years in the Three Year Period Ended December 31, 2007

(In thousands)	Comprehensive Income	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Compensation Restricted Stock Grants	Accumulated Other Comprehensive loss	Total
BALANCE, DECEMBER 31, 2005		$ 608	261,720	261,279	(936)	(6,335)	516,336
Cumulative effect adjustment upon adoption of Staff Accounting Bulletin No. 108 (SAB No. 108) (less tax benefit of $1,193)				(1,899)			(1,899)
Cumulative effect adjustment upon adoption of Statement of Financial Accounting Standards No. 123R		(1)	(935)		936		
Net income	$ 15,387			15,387			15,387
Other comprehensive income (loss), net of tax:							
Unfunded pension liability (less income tax expense of $1,395)	1,594						
Unrealized gain on securities available for sale (less income tax expense of $5,272)	10,235						
Reclassification adjustments:							
Realized net periodic pension costs (less income tax benefit of $171)	(195)						
Realized gains on securities available for sale (less income tax expense of $3,336)	(6,477)						
Other comprehensive income	5,157					5,157	5,157
Comprehensive income	$ 20,544						
Dividends on Class A common stock				(8,908)			(8,908)
Dividends on Class B common stock				(770)			(770)
Issuance of Class A common stock upon exercise of stock options		14	6,014				6,028
Tax effect relating to share-based compensation			3,719				3,719
		(5)	(7,261)				(7,266)

Retirement of Class A common stock relating to exercise of stock options						
Purchase and retirement of Class A common stock	(5)	(7,828)				(7,833)
Share based compensation expense		5,031				5,031
BALANCE, DECEMBER 31, 2006	$ 611	260,460	265,089		(1,178)	524,982

(CONTINUED)

See Notes to Consolidated Financial Statements

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BankAtlantic Bancorp, Inc.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
For Each of the Years in the Three Year Period Ended December 31, 2007

(In thousands)	Compre-hensive Income (Loss)	Common Stock	Addi-tional Paid-in Capital	Retained Earnings	Accumul-ated Other Compre-hensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2006		$ 611	260,460	265,089	(1,178)	524,982
Other comprehensive income (loss), net of tax:						
Net loss	$ (22,200)			(22,200)		(22,200)
Prepaid pension asset (less income tax expense of $271)	431					
Unrealized gain on securities available for sale (less income tax expense of $6,618)	11,240					
Reclassification adjustments:						
Realized net periodic pension income (less income tax expense of $92)	147					
Realized gains on securities available for sale (less income tax expense of $2,781)	(4,722)					
Other comprehensive income	7,096				7,096	7,096
Comprehensive loss	(15,104)					
Dividends on Class A common stock				(6,815)		(6,815)
Dividends on Class B common stock				(624)		(624)
Cumulative effect adjustment upon adoption of FASB Interpretation No. 48				700		700

Issuance of Class A common stock upon exercise of stock options	4	2,445			2,449
Tax effect relating to share-based compensation		1,265			1,265
Purchase and retirement of Class A common stock	(54)	(53,715)			(53,769)
Share based compensation expense		6,237			6,237
BALANCE, DECEMBER 31, 2007	$ 561	216,692	236,150	5,918	459,321

See Notes to Consolidated Financial Statements

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
(In thousands)	**2007**	**2006**	**2005**
Operating activities:			
Net (loss) income	$ (22,200)	$ 15,387	$ 59,182
Adjustment to reconcile net income to net cash provided by operating activities:			
Provision (recovery) and valuation allowances, net (1)	78,441	8,883	(6,265)
Restructuring charges, impairments and exit activities	13,591		3,706
Reserve for fines and penalties, compliance matters			10,000
Cumulative effect adjustments	700	(1,899)	
Depreciation, amortization and accretion, net	18,451	28,126	20,207
Share-based compensation expense	6,237	5,068	
Tax benefits from share-based compensation	(1,265)	(3,719)	
Securities activities, net	(8,412)	(9,813)	(847)
Net gains (losses) on sales of real estate owned, loans held for sale and office properties and equipment	201	(3,750)	(2,859)
Net gain on sale of Ryan Beck Holdings, Inc	(16,373)		
Gain on sale of branch			(922)
Deferred income tax benefit	(22,855)	(3,550)	(5,895)
Net (gains) losses associated with debt redemption		(71)	
Increase in forgivable notes receivable, net	(673)	(6,111)	(6,999)
Originations and repayments of loans held for sale, net	(90,745)	(93,887)	(125,487)
Proceeds from sales of loans held for sale	96,470	87,793	128,337
Decrease (increase) in real estate held for development and sale	56	(3,703)	8,043
(Increase) decrease in securities owned, net	(23,855)	67,910	(54,849)
Increase (decrease) in securities sold but not yet purchased	28,419	(3,770)	(4,285)
Decrease (increase) in accrued interest receivable	1,402	(6,183)	(5,508)
Increase in other assets	(10,957)	(1,943)	(2,921)
Increase (decrease) in due to clearing agent	9,657	(40,115)	41,105
Increase (decrease) in other liabilities	(15,362)	(31,294)	3,596
Net cash provided by operating activities	40,928	3,359	57,339

(CONTINUED)

See Notes to Consolidated Financial Statements

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
(In thousands)	**2007**	**2006**	**2005**
Investing activities:			
Proceeds from redemption and maturities of investment securities and tax certificates	208,345	199,482	210,493
Purchase of investment securities and tax certificates	(211,307)	(236,952)	(268,364)
Purchase of securities available for sale	(682,231)	(143,272)	(227,179)
Proceeds from sales and maturities of securities available for sale	717,603	181,434	300,469
Purchases of FHLB stock	(22,725)	(49,950)	(29,870)
Redemption of FHLB stock	28,939	39,664	38,558
Investments in unconsolidated subsidiaries	(5,923)	(7,159)	(4,554)
Distributions from unconsolidated subsidiaries	7,889	4,549	
Net repayments (purchases and originations) of loans	(2,173)	(105,900)	151,584
Additions to real estate owned	(2,011)		
Proceeds from sales of real estate owned	2,252	4,382	3,872
Proceeds from the sale of property and equipment	939	35	651
Purchases of office property and equipment, net	(64,291)	(92,204)	(43,440)
Net proceeds from the sale of Ryan Beck Holdings, Inc.	2,628		
Net cash (used in) provided by investing activities	(22,066)	(205,891)	132,220
Financing activities:			
Net increase in deposits	86,369	114,360	313,190
Cash outflows from the sale of branch			(13,605)
Repayments of FHLB advances	(3,825,000)	(2,551,344)	(1,506,832)
Proceeds from FHLB advances	3,705,000	2,785,000	1,246,000
Net decrease in securities sold under agreements to repurchase	(43,667)	(14,094)	(180,617)
Net (decrease) increase in federal funds purchased	76,949	(107,449)	34,475
Repayments of secured borrowings		(26,516)	(101,924)
Proceeds from secured borrowings			65,293
Repayment of notes and bonds payable	(3,269)	(14,169)	(5,085)
Proceeds from notes and bonds payable		5,000	6,436
Capital contributions in managed fund by investors		2,905	
Capital withdrawals in managed fund by investors		(4,203)	
Excess tax benefits from share-based compensation	1,265	3,719	
Proceeds from issuance of Class A common stock	2,449	1,479	1,179
Proceeds from the issuance of junior subordinated debentures	30,929		
Payment of the minimum withholding tax upon the exercise of stock options		(2,717)	(3,519)
Purchase and retirement of Class A common stock	(53,769)	(7,833)	
Purchase of subsidiary common stock			(491)
Dividends paid	(7,439)	(9,678)	(8,858)
Net cash (used in) provided by financing activities	(30,183)	174,460	(154,358)

(Decrease) increase in cash and cash equivalents	(11,321)	(28,072)	35,201
Cash and cash equivalents at the beginning of period	138,904	170,261	135,060
Cash and cash equivalents of discontinued operations assets held for sale at disposal date	(6,294)		
Cash and cash equivalents of discontinued assets held for sale	3,285	(3,285)	(5,366)
Cash and cash equivalents at end of period	$ 124,574	$ 138,904	$ 164,895

See Notes to Consolidated Financial Statements

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the Years Ended December 31, 2007	2006	2005
See Notes To Consolidiated Financial Statements			
Cash paid for:			
Interest on borrowings and deposits	$191,230	$166,467	$143,706
Income taxes	853	22,630	10,788
Supplementary disclosure of non-cash investing and financing activities:			
Loans and tax certificates transferred to REO	2,528	23,728	2,307
Securities held-to-maturity transferred to securities available for sale	203,004		
Long-lived assets held-for-use transferred to assets held for sale	13,704		
Decreases in current income taxes payable from the tax effect of fair value of employee stock options			4,538
Reduction in loan participations sold accounted for as secured borrowings		111,754	
Exchange of branch facilities		2,350	
Change in accumulated other comprehensive income	7,096	5,157	(5,343)
Change in deferred taxes on other comprehensive income	4,200	3,161	(3,451)
Securities purchased pending settlement	18,926		6,183
Issuance and retirement of Class A common stock accepted as consideration for the exercise price of stock options		4,549	1,149

(1) Represents provision for loan losses, REO and tax certificates.

See Notes to Consolidated Financial Statements

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation BankAtlantic Bancorp, Inc. (the Company) is a unitary savings bank holding company organized under the laws of the State of Florida in 1994. The Company s principal asset is its investment in BankAtlantic and its subsidiaries. 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 Consolidated Statement of Operations for all periods presented. The financial information of Ryan Beck is included in the Consolidated Statement of Financial Condition as of December 31, 2006 and in the Consolidated Statement of Stockholders Equity and Comprehensive Income and Consolidated Statement of Cash Flows for all periods presented.

BankAtlantic was founded in 1952 and is a federally-chartered, federally-insured savings bank headquartered in Fort Lauderdale, Florida. At December 31, 2007, BankAtlantic operated through a network of over 100 branches located in Florida. BankAtlantic is a community-oriented bank which provides traditional retail banking services and a wide range of commercial banking products and related financial services.

The Company has two classes of common stock. Class A shareholders are entitled to one vote per share, which in the aggregate represents 53% of the combined voting power of the Class A common stock and the Class B common stock. Class B common stock represents the remaining 47% of the combined vote. BFC Financial Corporation (BFC) currently owns 100% of the Company s Class B common stock and 15% of the Company s outstanding Class A common stock resulting in BFC owning 22% of the Company s aggregate outstanding common stock. The percent of total common equity represented by Class A and Class B common stock was 92% and 8% at December 31, 2007, respectively. The fixed voting percentages will be eliminated, and shares of Class B common stock will be entitled to only one vote per share from and after the date that BFC or its affiliates no longer own in the aggregate at least 2,438,062 shares of Class B common stock (which is one-half of the number of shares it now owns). Class B common stock is convertible into Class A common stock on a share for share basis.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statements of financial condition and operations for the periods presented. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, evaluation of intangible and long-lived assets for impairment, valuation of securities, evaluation of securities for impairment and other than temporary declines in value, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the valuation of the fair value of assets and liabilities in the application of the purchase method of accounting, the amount of the deferred tax asset valuation allowance, accounting for uncertain tax positions, accounting for contingencies, and accounting for share-based compensation.

The accounting policies applied by the Company conform to accounting principles generally accepted in the United States of America.

Certain amounts for prior years have been reclassified to conform to revised statement presentation for 2007.

Consolidation Policy The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, majority-owned subsidiaries and variable interest entities in which the Company is the primary beneficiary as defined by Financial Accounting Standards Board (FASB) Interpretation No. 46R (FIN No. 46). Ryan Beck follows specialized broker/dealer industry practices for the recording of its securities owned and securities sold but not yet purchased. No gains and losses are recorded on the issuance of subsidiary common stock. All inter-company transactions and balances have been eliminated.

Cash Equivalents Cash equivalents consist of cash, demand deposits at other financial institutions, federal funds sold, securities purchased under resell agreements, money market funds and other short-term investments with original maturities of 90 days or less. Federal funds sold are generally sold for one-day periods, and securities purchased under resell agreements are settled in less than 30 days.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investment Securities Investment securities are classified based on management s intention on the date of purchase. Debt securities that management has both the intent and ability to hold to maturity are classified as securities held-to-maturity and are stated at cost, net of unamortized premiums and unaccreted discounts.

Debt securities not held to maturity and marketable equity securities not accounted for under the equity method of accounting are classified as available for sale and are recorded at fair value. Unrealized gains and losses, after applicable taxes, are recorded as a component of other comprehensive income.

Declines in the value of individual held to maturity and available for sale securities that are considered other than temporary result in write-downs in earnings through securities activities, net of the individual securities to their fair value. The review for other-than-temporary declines takes into account current market conditions, trends and other key measures.

Securities acquired for short-term appreciation or other trading purposes are classified as trading securities and are recorded at fair value. Realized and unrealized gains and losses resulting from such fair value adjustments and from recording the results of sales are recorded in securities activities, net.

The fair value of securities available for sale and trading securities are estimated by obtaining prices actively quoted on national markets, using a price matrix or applying management valuation models.

Equity securities that do not have readily determinable fair values are carried at historical cost. These securities are evaluated for other than temporary declines in value, and, if impaired, the historical cost of the securities is written down to estimated fair value in earnings through securities activities, net.

Interest on securities, including the amortization of premiums and the accretion of discounts, are reported in interest income using the interest method over the lives of the securities, adjusted for actual prepayments. Gains and losses on the sale of securities are recorded on the trade date and recognized using the specific identification method and reported in securities activities, net.

Financial instruments and derivatives All derivatives are recognized on the consolidated statement of financial condition at their fair value with realized and unrealized gains and losses resulting from fair value adjustments recorded in securities activities, net on the consolidated statement of operations. If the Company elects hedge accounting, the hedging instrument must be highly effective in achieving offsetting changes in the hedge instrument and hedged item attributable to the risk being hedged. Any ineffectiveness which arises during the hedging relationship is recognized in earnings in the Company s consolidated statements of operations. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively. Financial instruments represent warrants to acquire Stifel Common Stock and are accounted for as derivatives.

Tax Certificates Tax certificates represent a priority lien against real property for which assessed real estate taxes are delinquent. Tax certificates are carried at cost, which approximates fair value.

Allowance for Tax Certificate Losses The allowance represents management s estimate of incurred losses in the portfolio that are probable and subject to reasonable estimation. In establishing its allowance for tax certificate losses, management considers past loss experience, present indicators, such as the length of time the certificate has been outstanding, economic conditions and collateral values. Tax certificates and resulting deeds are classified as non-accrual when a tax certificate is 24 to 60 months delinquent, depending on the municipality, from the acquisition date. At that time, interest ceases to be accrued. The provision to record the allowance is included in other expenses.

Loans Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal balances net of any unearned income, unamortized deferred fees or costs, premiums or discounts and an allowance for loan losses. Loan origination fees and direct loan origination costs are deferred and recognized in interest income over the estimated life of the loans using the interest method, adjusted for actual prepayments.

Loans Held for Sale Loans held for sale are reported at the lower of aggregate cost or estimated fair value based on current market prices for similar loans. Loan origination fees and related direct loan origination costs on originated loans held for sale and premiums and discounts on purchased loans held for sale are deferred until the related loan is

sold and included in gains and losses upon sale.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Transfer of Loan Participations BankAtlantic transfers participation rights in certain commercial real estate loans with servicing retained. These participation rights transfers are accounted for as loan sales when the transferred asset has been isolated from BankAtlantic and beyond the reach of BankAtlantic s creditors, the transferee s right to pledge or exchange the loan is not constrained and BankAtlantic does not have control over the loan. If the above criteria are not met, BankAtlantic accounts for the loan participation rights transfers as a secured borrowing.

Impaired Loans Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructuring agreement.

Allowance for Loan Losses The allowance for loan losses reflects management s estimate of probable incurred credit losses in the loan portfolios. Loans are charged off against the allowance when management believes the loan is not collectible. Recoveries are credited to the allowance.

The allowance consists of two components. The first component of the allowance is for high-balance non-homogenous loans that are individually evaluated for impairment. The process for identifying loans to be evaluated individually for impairment is based on management s identification of classified loans. Once an individual loan is found to be impaired, an evaluation is performed to determine if a specific reserve needs to be assigned to the loan based on one of the following three methods: (1) present value of expected future cash flows, (2) fair value of collateral less costs to sell if the loan is collateral dependent, or (3) observable market price.

The second component of the allowance is for homogenous loans in which groups of loans with common characteristics are evaluated to estimate the inherent losses in the portfolio. Homogenous loans have certain characteristics that are common to the entire portfolio so as to form a basis for estimating losses as it relates to the group. Management segregates homogenous loans into groups such as residential real estate, small business mortgage, small business non-mortgage, low-balance commercial loans, certain unimpaired non-homogenous loans and various types of consumer loans. The allowance for homogenous loans 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: (1) delinquency and charge-off levels and trends; (2) problem loans and non-accrual levels and trends; (3) lending policy and underwriting procedures; (4) lending management and staff; (5) nature and volume of portfolio; (6) economic and business conditions; (7) concentration of credit; (8) quality of loan review system; and (9) external factors. Based on an analysis of the above factors, a qualitative amount is assigned to each loan product.

Non-performing Loans A loan is generally placed on non-accrual status at the earlier of (i) the loan becoming past due 90 days as to either principal or interest or (ii) when the borrower has entered bankruptcy proceedings and the loan is delinquent. Exceptions to placing 90-day past due loans on non-accrual may be made if there exists well secured collateral and the loan is in the process of collection. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. A loan may be placed on non-accrual status due to material deterioration of conditions surrounding the repayment sources, which could include insufficient borrower capacity to service the debt, delayed property sales or development schedules, declining loan-to-value of the loan s collateral or other factors causing the full payment of the loan s principal and interest to be in doubt. Accordingly, BankAtlantic may place a loan on non-accrual status even where payments of principal or interest are not currently in default. When a loan is placed on non-accrual status, interest accrued but not received is reversed against interest income. A non-accrual loan may be restored to accrual status when delinquent loan payments are collected and the loan is expected to perform in the future according to its contractual terms. Interest income on performing impaired loans is recognized on an accrual basis and the cost-recovery method is used for cash receipts on non-performing loans without specific reserves. Interest income on non-performing loans with specific reserves is recognized on a cash basis.

Consumer non-mortgage loans that are 120 days past due are charged off. Real estate secured consumer and residential loans that are 120 days past due are charged down to the collateral s fair value less estimated selling costs.

Real Estate Owned (REO) REO is recorded at the lower of cost or estimated fair value, less estimated selling costs when acquired. Write-downs required at the time of acquisition are charged to the allowance for loan losses or allowance for tax certificates. Expenditures for capital improvements are generally capitalized. Real estate acquired in

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

settlement of loans or tax certificates are anticipated to be sold and valuation allowance adjustments are made to reflect any subsequent changes in fair values. The costs of holding REO are charged to operations as incurred. Provisions and reversals in the REO valuation allowance are reflected in operations. Management obtains independent appraisals for significant properties.

Real Estate Held for Development and Sale This includes land, land development costs, and other construction costs associated with the Company s investment in a real estate development and land acquired for branch expansion that BankAtlantic has committed to sell. The real estate inventory is stated at the lower of accumulated cost or estimated fair value. The fair value analysis takes into consideration the current status of property, various use and other restrictions, carrying costs, debt service requirements, costs of disposition and any other circumstances which may affect fair value, including management s plans for the property.

Inventory costs include direct acquisition, development and construction costs, interest and other indirect construction costs. Land and indirect land development costs are accumulated by specific area and allocated proportionately to various housing units within the respective area based upon the most practicable method, including specific identification and allocation based upon the unit method. Direct construction costs are assigned to housing units based on specific identification. All other capitalized costs are accumulated and are allocated to those housing units based upon the unit method. Other capitalized costs consist of capitalized interest, real estate taxes, tangible selling costs, local government fees and field overhead incurred during the development and construction period. Start-up costs and selling expenses are expensed as incurred.

Interest is capitalized at the effective rates paid on borrowings incurred for real estate inventory during the preconstruction and planning stage and the periods that projects are under development. Capitalization of interest is discontinued if development ceases at a project.

Revenue and all related costs and expenses from real estate sales are recognized at closing. This is when title to and possession of the property and risks and rewards of ownership transfer to the buyer and other sale and profit recognition criteria are satisfied.

Investments in Unconsolidated Subsidiaries The Company follows the equity method of accounting to record its interests in subsidiaries in which it has the ability to significantly influence the decisions of the entity and to record its investment in variable interest entities in which it is not the primary beneficiary. As a result, the Company accounts for its interests in statutory business trusts (utilized in the issuance of trust preferred securities) under the equity method. The statutory business trusts are variable interest entities in which the Company is not the primary beneficiary. Under the equity method, the Company s initial investment is recorded at cost and is subsequently adjusted to recognize its share of earnings or losses. Distributions received reduce the carrying amount of the investment.

Goodwill and Other Intangible Assets Goodwill is recorded at the acquisition date of a business and tested for impairment annually at the reporting unit level by comparing the fair value of the reporting unit to its carrying amount. The Company will recognize a goodwill impairment charge if the carrying amount of the goodwill assigned to the reporting unit is greater than the implied fair value of the goodwill.

Other intangible assets consist of core deposit intangible assets which were initially recorded at fair value and then amortized on an accelerated basis over a useful life of ten years. The accumulated amortization on core deposit intangible assets was $9.7 million at December 31, 2007.

Office Properties and Equipment Land is carried at cost. Office properties, leasehold improvements, equipment and computer software are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which generally range up to 40 years for buildings and 3-10 years for equipment. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the terms of the related leases or the useful lives of the assets. Direct costs associated with the development of internal-use software are capitalized and amortized over 3 5 years.

Expenditures for new properties, leasehold improvements, equipment and major renewals and betterments are capitalized. Expenditures for maintenance and repairs are expensed as incurred, and gains or losses on disposal of

assets are reflected in current operations.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment of Long Lived Assets Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount of an asset may not be recoverable. In performing the review for impairment, the Company compares the expected undiscounted future cash flows to the carrying amount of the asset and records an impairment loss if the carrying amount exceeds the expected future cash flows based on the estimated discounted cash flows generated by the long-lived assets.

Long-lived assets to be abandoned are considered held and used until disposed. The carrying value of a long-lived asset to be abandoned is depreciated over its shortened depreciable life when an entity commits to a plan to abandon the asset before the end of its previously estimated useful life. An impairment loss is recognized at the date a long-lived asset is exchanged for a similar productive asset if the carrying amount of the asset exceeds its fair value. Long-lived assets classified as held for sale are reported at the lower of its carrying amount or fair value less estimated selling costs and depreciation (amortization) ceases.

Advertising Advertising expenditures are expensed as incurred.

Income Taxes The Company and its subsidiaries, other than Heartwood Holdings, Inc., a real estate investment trust, file a consolidated federal income tax return. The Company and its subsidiaries file separate state income tax returns for each state jurisdiction. The provision for income taxes is based on income before taxes reported for financial statement purposes after adjustments for transactions that do not have tax consequences. Deferred tax assets and liabilities are realized according to the estimated future tax consequences attributable to differences between the carrying value of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates as of the date of the statement of financial condition. The effect of a change in tax rates on deferred tax assets and liabilities is reflected in the period that includes the statutory enactment date. A deferred tax asset valuation allowance is recorded when it has been determined that it is more likely than not that deferred tax assets will not be realized.

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). An uncertain tax position is defined by FIN 48 as a position in a previously filed tax return or a position expected to be taken in a future tax return that is not based on clear and unambiguous tax law and which is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. Under FIN 48, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes.

Accounting for Contingencies Reserves for contingencies are recorded when it is probable that an asset has been impaired or a liability had been incurred and the amount of the loss can be reasonably estimated.

Earnings Per Share Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if options to issue common shares of the Company or its subsidiaries were exercised. In calculating diluted earnings per share, equity in earnings of subsidiaries is adjusted for the effect of subsidiary stock options outstanding, if dilutive. The resulting net income amount is divided by the weighted average number of common shares outstanding, when dilutive. The options and restricted stock are included in the weighted average number of common shares outstanding based on the treasury stock method, if dilutive.

Brokered Deposits Brokered deposits are accounted for at historical cost and discounts or premiums, if any, are amortized or accreted using the effective interest method over the term of the deposit.

Stock-Based Compensation Plans Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified prospective transition method. Under this transition method, share-based compensation expense for the years ended December 31, 2007 and 2006 includes compensation expense for all share-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date

fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). Share-based

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of five years, except for options granted to directors which vest immediately. Prior to the adoption of SFAS 123R and during the year ended December 31, 2005, the Company accounted for share-based compensation expense in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations. No compensation expense was recognized when option grants had an exercise price equal to the market value of the underlying common stock on the date of grant.

Discontinued Operations Ryan Beck s results of operations were presented as discontinued operations. Ryan Beck s activities included gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which Ryan Beck acted as an underwriter or agent and fees earned from providing merger and acquisition and financial advisory services. These fees were recorded as earned, provided no contingency of payment existed. Sales concessions were recorded on trade date, and underwriting fees were recorded at the time the underwriting was completed. Gains and losses from securities transactions were recorded on a trade date basis. Profit and loss arising from all securities transactions entered into for the account and risk of Ryan Beck were recorded on a trade date basis. Commission income and expenses related to customers securities transactions were reported on a trade date basis. Amounts receivable and payable for securities transactions that had not reached their contractual settlement date were recorded net on the statement of financial condition. Securities owned and securities sold, but not yet purchased were associated with proprietary securities transactions entered into by Ryan Beck and were accounted for at fair value with changes in the fair value included in income from discontinued operations. The fair value of these trading positions was generally based on listed market prices. If listed market prices were not available or if liquidating the positions would have reasonably been expected to impact market prices, fair value was determined based on other relevant factors, including dealer price quotations, price quotations for similar instruments traded in different markets, management s estimates of amounts to be realized on settlement or management valuation models associated with securities that were not readily marketable.

New Accounting Pronouncements:

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements . The Statement defines fair value in generally accepted accounting principles (GAAP), establishes a framework for measuring fair value and expands disclosure about fair value measurements. The Statement will change key concepts in fair value measures including the establishment of a fair value hierarchy and the concept of the most advantageous or principal market. This Statement does not require any new fair value measurement. The Statement applies to financial statements issued for fiscal years beginning after November 15, 2007. The Company partially adopted this Statement as of January 1, 2008 as in February 2008, the FASB issued FSP FAS 157-1 and FSP FAS 157-2 which excluded from the scope of SFAS No. 157 lease transactions and delayed the effective date for SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements at least annually. The Company believes that the adopted provisions of SFAS 157 as of January 1, 2008 did not have a material impact on its consolidated financial statements. The Company will evaluate guidance by the FASB, when issued, for nonfinancial assets and liabilities to determine the effect of the new guidance on the Company s financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities , which permits entities to choose to measure eligible assets and liabilities at fair value on a contract by contract basis (the fair value option). The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The Company adopted this Statement as of January 1, 2008 and has chosen not to elect the fair value option for any financial instruments as of the adoption date. Thus, the adoption of the

provisions of SFAS No. 159 did not have an impact on the Company s consolidated financial statements.

In December 2007, FASB Statement No. 141 (Revised 2007), *Business Combinations* (SFAS 141(R)) was issued. This statement will significantly change the accounting for business combinations. Under SFAS 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS 141(R) will change the accounting treatment for certain specific items, including the following: acquisition costs will be generally expensed as incurred; noncontrolling interests (formerly known as minority interests) will be valued at fair value at the acquisition date; acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
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Also included in the statement are a substantial number of new disclosure requirements. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. Accordingly, a calendar year-end company is required to record and disclose business combinations following existing GAAP until January 1, 2009.

In December 2007, FASB issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the income statement. SFAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited.

2. Cumulative-Effect Adjustment for Quantifying Financial Statement Misstatements

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, (SAB No. 108) which established an approach to quantify errors in financial statements. Previously, there were two methods for quantifying the effects of financial statement errors: the roll-over method and the iron curtain method. The roll-over method focuses on the impact errors have on the income statement, including the reversing effect of prior year errors. The iron curtain method focuses on the effect of correcting errors on the statement of financial condition. Prior to the application of the guidance in SAB No. 108, the Company used the roll-over method for quantifying identified financial statement errors. This method led to an accumulation of errors on the Company s consolidated statement of financial condition. The SEC s new approach to quantifying errors in the financial statements is called the dual-approach. This approach quantifies the errors under the roll-over and the iron-curtain methods requiring the registrant to adjust its financial statements when either approach results in a material error after considering all quantitative and qualitative factors.

SAB No. 108 permitted companies to initially apply its provisions by either restating prior period financial statements or recording the cumulative effect of adjusting assets and liabilities as of January 1, 2006 as an offsetting adjustment to the opening balance of retained earnings.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company applied the provisions of SAB No. 108 using the cumulative effect transition method in connection with the preparation of its financial statements for the year ended December 31, 2006. The impact of quantifying the effects of prior period financial statement misstatements using the dual-approach compared to the roll-over method on opening statement of financial condition balances is summarized as follows (in thousands):

	Cumulative Effect Adjustment As of January 1, 2006
Other liabilities:	
Recurring operating expenses (1)	$ 1,618
Deferred data processing expenses (2)	1,474
Current taxes payable	(696)
Increase in other liabilities	$ 2,396
Increase in deferred tax asset	$ 497
Decrease in retained earnings	$ 1,899

(1) The Company historically expensed certain recurring invoices when paid. The effect of this accounting policy was not material to BankAtlantic s financial statements in any given year as the rollover impact of expenses in the following year approximated the expenses that rolled over from the prior year.

(2) The Company paid a fixed fee for certain data processing transaction services and at the end of each contract year, the actual number of transactions is determined and the fees related to any greater or lesser transactions are invoiced or repaid to the Company over a twelve month period. The Company accounted for these charges when paid. The effect of this accounting policy was not material to BankAtlantic s financial statements in any given year and the amount of the error had accumulated over a four year period as follows (in thousands):

For the years ended December 31,	Occupancy and Equipment Expense	Tax Effect	Net
2002	$ 221	$ 85	$ 136
2003	276	106	170
2004	533	206	327
2005	444	171	273
	$ 1,474	$ 568	$ 906

The Company had previously quantified these errors and concluded that they were immaterial under the roll-over method that was used prior to the issuance of SAB No. 108.

3. Discontinued Operations and Sale of Ryan Beck

On February 28, 2007, the Company sold Ryan Beck to Stifel. Under the terms of the sales agreement, the Company and several employees of Ryan Beck who held options to acquire Ryan Beck common stock exchanged their entire interest in Ryan Beck common stock and options to acquire Ryan Beck common stock for an aggregate of 2,467,600 shares of Stifel common stock, cash of $2.7 million and five-year warrants to purchase an aggregate of 500,000 shares of Stifel common stock at an exercise price of $36.00 per share (the Warrants). Of the total Ryan Beck sales proceeds, the Company s portion was 2,377,354 shares of Stifel common stock, cash of $2.6 million and Warrants to acquire an aggregate of 481,724 shares of Stifel common stock. 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 of Stifel common stock, including 792,000 shares owned by the Company and 161,000 shares issuable to the Company upon the exercise of the Warrants. In January 2008, the Company sold 250,000 shares of Stifel Common Stock to Stifel and received net proceeds of $10.7 million. Stifel has agreed to register the remaining shares issued in connection with the Ryan Beck sale and to grant incidental piggy-back registration rights. The Company has agreed that, other than in private transactions, it will not, without Stifel s consent, sell more than one-third of

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the shares of Stifel common stock received by it within the year following the initial registration of such securities nor more than two-thirds of the shares of Stifel common stock received by it within the two-year period following the initial registration of such securities. As of December 31, 2007, the Company owned approximately 17% of the issued and outstanding shares of Stifel common stock and does not have the ability to exercise significant influence over Stifel s operations. As such, the Company s investment in Stifel common stock is accounted for under the cost method of accounting. Stifel common stock that can be sold within one year is accounted for as securities available for sale and Stifel common stock which is subject to restrictions on sale for more than one year is accounted for as investment securities at cost. The warrants are accounted for as derivatives with unrealized gains and losses resulting from changes in the fair value of the warrants recorded in securities activities, net. Included in the Company s Consolidated Statement of Financial Condition as of December 31, 2007 under securities available for sale and investment securities at cost are $72.6 million and $31.4 million, respectively, of Stifel common stock, and included in financial instruments at fair value is $10.6 million of Warrants.

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 Ryan Beck sale up to a maximum of $40.0 million and (b) defined Ryan Beck investment banking revenues equal to 25% of the amount that such revenues exceed $25.0 million during each of the two twelve-month periods immediately following the Ryan Beck sale. The contingent earn-out payments, if any, will be accounted for when earned as additional proceeds from the exchange of Ryan Beck common stock. 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 did not earn additional proceeds during 2007 from the sale of Ryan Beck as the investment banking revenues did not exceed $25 million during the ten month period ended December 31, 2007.

The gain on the sale of Ryan Beck included in the Consolidated Statement of Operations in Discontinued operations was as follows (in thousands):

Consideration received:	
Stifel common stock and Warrants	$ 107,445
Cash	2,628
Total consideration received	110,073
Discontinued operations assets held for sale at disposal date	206,763
Discontinued operations liabilities held for sale at disposal date	(117,364)
Net assets available for sale at disposal date	89,399
Transaction cost	2,709
Gain on disposal of Ryan Beck before income taxes	17,965
Provision for income taxes	1,592
Net gain on sale of Ryan Beck	$ **16,373**

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The (loss) income from operations of Ryan Beck included in the Consolidated Statement of Operations in Discontinued operations was as follows (in thousands):

	For the Years Ended December 31,		
	2007	**2006**	**2005**
Investment banking revenues	$ 37,836	$ 218,461	$ 253,311
Non-interest expenses			
Employee compensation and benefits	27,532	170,605	165,325
Occupancy and equipment	2,984	16,588	15,816
Advertising and promotion	740	5,788	5,418
Transaction related costs (1)	14,263		
Professional fees	1,106	8,790	6,706
Communications	2,255	15,187	13,554
Floor broker and clearing fees	1,162	8,612	9,118
Interest expense	985	5,995	3,419
Other	1,086	6,389	7,204
Total non-interest expenses	52,113	237,954	226,560
(Loss) Income from Ryan Beck discontinued operations before income taxes	(14,277)	(19,493)	26,751
(Benefit) provision for income taxes	(5,716)	(8,001)	10,095
Income from Ryan Beck discontinued operations, net of tax	$ (8,561)	$ (11,492)	$ 16,656

(1) Ryan Beck transaction related costs include $9.3 million of change in control payments, $3.5 million of one-time employee termination benefits and $1.5 million of share-based compensation.

The assets and liabilities associated with discontinued operations included in the Company s Consolidated Statement of Financial Condition consisted of the following (in thousands):

December 31,

		2006
ASSETS:		
Cash	$	3,285
Securities owned		112,382
Office properties and equipment, net		9,644
Deferred tax asset, net		16,411
Goodwill		6,184
Due from clearing agent		15,629
Other assets		27,228
Total assets	$	190,763
LIABILITIES:		
Securities sold but not yet purchased	$	31,407
Other liabilities		63,839
Total liabilities	$	95,246

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash flows from discontinued operations included in the Company s Consolidated Statement of Cash Flows consisted of the following (in thousands):

	For the Years Ended December 31,		
	2007	2006	2005
Net cash provided by operating activities	$ 5,611	$ 516	$1,467
Net cash (used in) provided by investing activities	$ (299)	$(1,298)	$ 225
Net cash used in financing activities	$(2,307)	$(1,299)	$

4. Restructuring Charges, Impairments and Exit Activities

The following provides exit activities liabilities and asset impairments associated with restructuring charges (in thousands):

	Employee Termination Benefits Liability	Contract Liability	Total Liability	Asset Impairments	Total
Balance at December 31, 2006	$				
Restructuring charges	2,527	1,016	3,543	4,808	8,351
Amounts paid or amortized	(2,425)	(26)	(2,451)		
Balance at December 31, 2007	$ 102	990	1,092		

In December 2007, in response to the current economic environment and its impact on the Company s financial results, BankAtlantic decided to sell properties that it acquired for its future store expansion program and to terminate or sublease certain operating leases. As a consequence, BankAtlantic recorded a $1.1 million impairment charge for land acquired for store expansion, incurred a $3.3 million impairment charge for engineering and architectural fees associated with obtaining permits for store sites and recorded liabilities of $0.5 million associated with executed lease contracts. Sales prices or annual rental rates for similar properties were used to determine fair value.

In November 2007, in order to reduce expenses and improve operating efficiency BankAtlantic consolidated two call centers into one call center in Orlando, Florida recognizing a $0.3 million asset impairment charge and recorded a $0.4 million operating lease liability associated with the vacated facility.

In March 2007, the Company reduced its workforce by approximately 225 associates, or 8%, in an effort to improve operating efficiencies. The reduction in the workforce impacted every operating segment and was completed on March 27, 2007. Included in the Company s Consolidated Statement of Operations for the year ended December 31, 2007 were $2.6 million of costs associated with one-time termination benefits. These benefits include $0.3 million of share-based compensation.

During the year ended December 31, 2005, BankAtlantic opened its new Corporate Center, which serves as its corporate headquarters. The Company recorded a $3.7 million impairment charge in its statement of operations for the year ended December 31, 2005 as a result of the corporate headquarters relocation and the demolition of the old corporate headquarters building.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Federal Funds Sold and Other Short Term Investments

The following table provides information on Federal Funds sold (in thousands):

	For the Years Ended		
	2007	2006	2005
Ending Balance	$ 484	$ 691	$1,057
Maximum outstanding at any month end within period	$21,555	$16,276	$8,648
Average amount invested during period	$ 3,638	$ 1,824	$4,275
Average yield during period	4.77%	3.00%	1.87%

As of December 31, 2007, 2006 and 2005, the Company had $5.1 million, $5.0 million and $2.2 million, respectively, invested in money market accounts with unrelated brokers.

6. Securities Available for Sale

The following tables summarize securities available-for-sale (in thousands):

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-Backed Securities:				
U.S. government agencies mortgage-backed securities	$ 585,796	$ 4,378	$ 555	$ 589,619
U.S. government agencies real estate mortgage investment conduits (1)	199,886	1,359	2,403	198,842
Total mortgage-backed securities	785,682	5,737	2,958	788,461
Investment Securities:				
Other bonds	685		4	681
Equity securities	123,747	12,474		136,221
Total investment securities	124,432	12,474	4	136,902
Total	$ 910,114	$ 18,211	$ 2,962	$ 925,363

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-Backed Securities:				
U.S. government agencies mortgage-backed securities	$ 324,646	$ 1,366	$ 3,113	$ 322,899
U.S. government agencies real estate mortgage investment conduits (1)	40,919		2,068	38,851

Total mortgage-backed securities	365,565	1,366	5,181	361,750
Investment Securities:				
Tax-exempt securities	197,287	822	1,671	196,438
Other bonds	685		10	675
Equity securities	82,884	9,569		92,453
Total investment securities	280,856	10,391	1,681	289,566
Total	$ 646,421	$ 11,757	$ 6,862	$ 651,316

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Real estate mortgage investment conduits are pass-through entities that hold residential loans and investors are issued ownership interests in the entities in the form of a bond. The securities were issued by government agencies.

The following table shows the gross unrealized losses and fair value of the Company s securities available for sale with unrealized losses that are deemed temporary, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2007 (in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
Mortgage-backed securities	$68,821	(396)	14,792	(159)	83,613	(555)
Real estate mortgage investment conduits	3,475	(5)	35,398	(2,398)	38,873	(2,403)
Other bonds	200		246	(4)	446	(4)
Total available for sale securities:	$72,496	(401)	50,436	(2,561)	122,932	(2,962)

Unrealized losses on securities outstanding greater than twelve months at December 31, 2007 were caused primarily by interest rate increases. The cash flows of these securities are guaranteed by government sponsored enterprises. Management has the intent and ability to hold the securities until the price recovers and expects that the securities would be settled at a price not less than the carrying amount. Accordingly, the Company does not consider these investments other-than-temporarily impaired at December 31, 2007.

Unrealized losses on securities outstanding less than twelve months at December 31, 2007 were also caused by interest rate increases. These securities are guaranteed by government agencies and are of high credit quality. Since these securities are of high credit quality and the decline in value has existed for a short period of time, management believes that these securities may recover their losses in the foreseeable future and management has the intent and ability to hold the securities until the price recovers. Accordingly, the Company does not consider these investments other-than-temporarily impaired at December 31, 2007.

The following table shows the gross unrealized losses and fair value of the Company s securities available for sale with unrealized losses that are deemed temporary, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2006 (in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
Mortgage-backed securities	$30,868	(88)	142,632	(3,025)	173,500	(3,113)
Real estate mortgage investment conduits			38,851	(2,068)	38,851	(2,068)
Tax exempt securities	29,715	(65)	79,169	(1,606)	108,884	(1,671)
Other bonds	242	(8)	198	(2)	440	(10)

Total available for sale securities:	$60,825	(161)	260,850	(6,701)	321,675	(6,862)

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The scheduled maturities of debt securities available for sale were (in thousands):

	Debt Securities Available for Sale	
December 31, 2007 (1) (2)	**Amortized Cost**	**Estimated Fair Value**
Due within one year	$ 410	$ 410
Due after one year, but within five years	134,548	135,750
Due after five years, but within ten years	1,936	1,947
Due after ten years	649,473	651,035
Total	$ 786,367	$ 789,142

(1) Scheduled maturities in the above table may vary significantly from actual maturities due to prepayments.

(2) Scheduled maturities are based upon contractual maturities.

The components of securities activities, net were (in thousands):

	For the Years Ended December 31,		
	2007	**2006**	**2005**
Gross gains on securities sales	$ 15,731	$ 10,137	$ 859
Gross losses on securities sales	(4,341)	(168)	(18)
Other-than-temporary impaiments	(3,316)		
Unrealized gains on securities	338		12
Realized losses on securities		(156)	(6)
Securities activities, net	$ 8,412	$ 9,813	$ 847

Proceeds from sales of securities available for sale were $623.8 million, $70.3 million and $127.9 million during the years ended December 31, 2007, 2006 and 2005, respectively.

During the year ended December 31, 2006, MasterCard International (MasterCard) completed an initial public offering (IPO) of its common stock. Pursuant to the IPO, member financial institutions received cash and Class B Common Stock for their interest in MasterCard. BankAtlantic received $0.5 million in cash and 25,587 shares of MasterCard s Class B Common Stock. The $0.5 million cash proceeds were reflected in the Company s Consolidated

Statement of Operations in Securities activities, net. The Class B Common Stock received was accounted for as a nonmonetary transaction and recorded at historical cost. During the year ended December 31, 2007, BankAtlantic sold 22,000 shares of MasterCard Common Stock for a gain of $3.4 million.

The change in net unrealized holding gains or losses on securities available for sale, included as a separate component of stockholders equity, was as follows (in thousands):

	For The Years Ended December 31,		
	2007	**2006**	**2005**
Net change in other comprehensive income on securities available for sale	$ 10,356	$ 5,694	$ (6,863)
Change in deferred tax provision (benefit) on net unrealized losses on securities available for sale	3,838	1,936	(2,509)
Change in stockholders equity from net unrealized gain (loss) on securities available for sale	$ 6,518	$ 3,758	$ (4,354)

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Investment Securities

The following tables summarize investment securities (in thousands):

	Investment Securities December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Stifel restricted common stock (1)	$ 31,433	$ 3,061	$	$ 34,494
Private investment securities (2)	8,184	1,407		9,591
Equity securities (4)		603		603
	$ 39,617	$ 5,071	$	$ 44,688

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Tax exempt securities (3)	$ 200,182	$ 962	$ 338	$ 200,806
Private investment securities (2)	6,500	1,714		8,214
	$ 206,682	$ 2,676	$ 338	$ 209,020

(1) Stifel common stock that is subject to restrictions for more than one year is accounted for as investment securities at cost.

(2) Private investment securities consist of equity instruments purchased through private placements and are accounted for at historical cost adjusted for other-than-temporary declines in value.

(3) Tax exempt securities consist of municipal bonds.

(4) Equity securities consisted of 3,587 shares of MasterCard International (MasterCard) Class B Common Stock acquired through MasterCard s 2006 initial public offering (IPO).

In October 2007, BankAtlantic s Investment Committee approved a plan to restructure its investment portfolio with a view towards improving the net interest margin and shortening the duration of the portfolio. The tax-exempt municipal securities in the investment securities portfolio had long durations, and the tax-free returns on these securities were not beneficial to the Company in light of the losses which were incurred during the nine months ended September 30, 2007. As a consequence, management decided to sell the held-to-maturity municipal securities and transferred its entire held-to-maturity municipal securities portfolio of $203.0 million to securities available for sale in October 2007. Management does not plan to designate securities as held-to-maturity for the foreseeable future and believes that maintaining its securities in the available for sale category provides greater flexibility in the management of the overall investment portfolio.

Management reviews its investment securities portfolio for other-than-temporary declines in value quarterly. As a consequence of the review during the fourth quarter of 2007 the Company recognized a $3.3 million other-than-temporary decline in value related to private investment securities. As of December 31, 2007, there were no impaired investment securities.

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Tax Certificates

The following table summarizes tax certificates (in thousands):

	December 31, 2007		December 31, 2006	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Tax certificates (1)(2)				
Net of allowance of $3,289 and $3,699, respectively	$ 188,401	$ 188,401	$ 195,391	$ 195,391

(1) Management considers the estimated fair value equivalent to book value for tax certificates since these securities have no readily traded market value.

(2) Based on historical repayment experience, the majority of tax certificates are redeemed in two years or less.

Activity in the allowance for tax certificate losses was (in thousands):

	For the Years Ended December 31		
	2007	2006	2005
Balance, beginning of period	$ 3,699	$ 3,271	$ 3,297
Charge-offs			