BANKATLANTIC BANCORP INC
Form 10-K
March 17, 2008

Table of Contents

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

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

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

Commission File Number
34-027228
BankAtlantic Bancorp, Inc.
(Exact name of registrant as specified in its Charter)

Florida	**65-0507804**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 West Cypress Creek Road Ft. Lauderdale, Florida	**33309**
(Address of principal executive offices)	(Zip Code)

(954) 940-5000
(Registrant s telephone number, including area code)
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
Name of Each Exchange on Which Registered
New York Stock Exchange
Title of Each Class
Class A Common Stock, Par Value $0.01 Per Share

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

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

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

Indicate, by check mark, if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

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

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

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

TABLE OF CONTENTS

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.

1

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

BankAtlantic

BankAtlantic is a federally-chartered, federally-insured savings bank organized in 1952. It is one of the largest financial institutions headquartered in Florida and provides traditional retail banking services and a wide range of business banking products and related financial services through a network of more than 100 branches or stores in southeast and central Florida and the Tampa Bay area, primarily in the metropolitan areas surrounding the cities of Miami, Ft. Lauderdale, West Palm Beach and Tampa, which are located in the heavily-populated Florida counties of Miami-Dade, Broward, Palm Beach, Hillsborough and Pinellas.

BankAtlantic s primary business activities include:

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

BankAtlantic s business strategy focuses on the following key areas:

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

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

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

2

Table of Contents

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

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

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

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

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

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

BankAtlantic offers a number of lending products to its customers. Its primary lending products include commercial real estate loans, commercial business loans, standby letters of credit and commitments, consumer loans, small business loans and residential loans.

Residential: BankAtlantic purchases residential loans in the secondary markets that have been originated by other institutions. These loans, which are serviced by independent servicers, are secured by properties located throughout the United States. When BankAtlantic purchases residential loans, it evaluates the originator s underwriting of the loans and, for most individual loans, performs confirming credit analyses. Residential loans are typically purchased in bulk and are generally non-conforming loans to agency guidelines due to the size of the individual loans. BankAtlantic sets general guidelines for loan purchases relating to loan amount, type of property, state of residence, loan-to-value ratios, the borrower s sources of funds, appraised amounts and loan documentation, but actual purchases will generally reflect availability and market conditions, and may vary from BankAtlantic s general guidelines. The weighted average FICO credit scores and loan-to-value ratios (calculated at the time of origination) of purchased loans outstanding as of December 31, 2007 was 741 and 67%, respectively. Included in these purchased residential loans are interest-only loans. These loans result in possible future increases in a borrower s loan payments when the contractually required repayments increase due to interest rate adjustments and when required amortization of the principal amount commences. These payment increases could affect a borrower s ability to repay the loan and lead to increased defaults and losses. At December 31, 2007, BankAtlantic s residential loan portfolio included $1.1 billion of interest-only loans. The credit scores and loan-to-value ratios for interest-only loans are similar to amortizing loans. BankAtlantic attempts to manage the credit risk associated with these loans by purchasing interest-only loans originated to borrowers that it believes to be credit worthy, with loan-to-value and total debt to income ratios within agency guidelines. BankAtlantic does not purchase sub-prime or negative amortizing residential loans and loans in the purchased residential loan portfolio generally do not have prepayment penalties.

BankAtlantic originates residential loans to customers that are then sold on a servicing released basis to a correspondent. It also originates and holds certain residential loans, which are primarily made to low to moderate income borrowers in accordance with requirements of the Community Reinvestment Act. The underwriting of these loans generally follows government agency guidelines with independent appraisers typically performing on-site inspections and valuations of the collateral. The outstanding balance of these loans at December 31, 2007 was $57 million.

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

There are three categories of loans in BankAtlantic s commercial residential development loan portfolio that we believe have significant exposure to declines in the Florida residential real estate market. The loan balance in these categories aggregated $503.1 million at December 31, 2007. These categories are builder land bank loans, land acquisition and development loans, and land acquisition, development and construction loans. The builder land bank loan category consists of land loans to borrowers who have or had land purchase option agreements with regional and/or national builders. These loans were originally underwritten based on projected sales of the developed lots to the builders/option holders, and timely repayment of the loans is primarily dependent upon the sale of the property pursuant to the options. If the lots are not sold as originally anticipated, BankAtlantic anticipates that the borrower may not be in a position to service the loan, with the likely result being an increase in nonperforming loans and loan losses in this category. The land acquisition and development loan category consists of loans secured by residential land which is intended to be developed by the borrower and sold to homebuilders. These loans are generally underwritten more stringently than builder land bank loans, as an option agreement with a regional or national builder did not exist at the origination date. The land acquisition, development and construction loans are secured by residential land which is intended to be fully developed by the borrower who may also construct homes on the property. These loans generally involve property with a longer investment and development horizon, are guaranteed by the borrower or individuals and/or are secured by additional collateral or equity such that it is expected that the borrower will have the ability to service the debt for a longer period of time.

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

Consumer: Consumer loans are primarily loans to individuals originated through BankAtlantic s retail network and sales force. The majority of its originations are home equity lines of credit secured by a first or second mortgage on the primary residence of the borrower. Home equity lines of credit have prime-based interest rates and generally mature in 15 years. Other consumer loans generally have fixed interest rates with terms ranging from one to five years. At origination, the home equity lines of credit portfolio had a weighted average loan-to-value, inclusive of first mortgages, of 67.0%, and a weighted average Beacon score of 706. Additionally, 70.0% of the portfolio balances were with borrowers who had Beacon scores of 700 or greater at the time of origination.

Small Business: BankAtlantic makes small business loans to companies located primarily in markets located in its store network areas. Small business loans are primarily originated on a secured basis and do not generally exceed $1.0 million for non-real estate secured loans and $2.0 million for real estate secured loans. These loans are generally originated with maturities ranging primarily from one to three years or upon demand; however, loans collateralized by real estate could have terms of up to fifteen years. Lines of credit extended to small businesses are due upon demand. Small business loans typically have either fixed or variable prime-based interest rates.

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

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

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

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

5

Table of Contents

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

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

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

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

Tax Certificates: Tax certificates are evidences of tax obligations that are sold through auctions or bulk sales by various state and local taxing authorities. The tax obligation arises when the property owner fails to timely pay the real estate taxes on the property. Tax certificates represent a priority lien against the real property for the delinquent real estate taxes. The minimum repayment to satisfy the lien is the certificate amount plus the interest accrued through the redemption date, plus applicable penalties, fees and costs. Tax certificates have no payment schedule or stated maturity. If the certificate holder does not file for the deed within established time frames, the certificate may become null and void and lose its value. BankAtlantic s experience with this type of investment has generally been favorable because the rates earned are generally higher than many alternative investments and substantial repayments typically occur over a one-year period.

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

Table of Contents

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

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

(1) Except for tax certificates, maturities are based upon contractual maturities. Tax certificates do not have stated maturities, and estimates in the above table are based upon

historical repayment experience (generally 1 to 2 years).

(2) Equity and tax exempt securities held by the parent company with a cost of $162.6, $88.6 million, and $95.1 million and a fair value of $179.5 million, $99.9 million, and $103.2 million, at December 31, 2007, 2006 and 2005, respectively, were excluded from the above table. At December 31, 2007, equities held by BankAtlantic with a cost of $750,000 and a fair value of $1.4 million was excluded from the above table.

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

	December 31, 2007 (1)			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Tax certificates and investment securities:				
Tax certificates:				
Cost equals market	$188,401			188,401
Securities available for sale:				
Investment securities:				

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

Table of Contents

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

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

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

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

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

Deposits: BankAtlantic offers checking and savings accounts to individuals and business customers. These include commercial demand deposit accounts, retail demand deposit accounts, savings accounts, money market accounts, certificates of deposit, various NOW accounts and IRA and Keogh retirement accounts. BankAtlantic also obtains deposits from brokers and municipalities. BankAtlantic solicits deposits from customers in its geographic market through advertising and relationship banking activities primarily conducted through its sales force and store network. BankAtlantic primarily solicits deposits at its branches (or stores) through its Florida s Most Convenient Bank initiatives, which includes extended lobby and customer service hours, free online banking and bill pay, and locations open seven days a week. While BankAtlantic s core deposits have historically produced solid results our products and pricing promotions may change in light of economic and market conditions. See note 12 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s deposit accounts.

Federal Home Loan Bank (FHLB) Advances: BankAtlantic is a member of the FHLB and can obtain secured advances from the FHLB of Atlanta. These advances can be collateralized by a security lien against its residential loans, certain commercial loans and its securities. In addition, BankAtlantic must maintain certain levels of FHLB stock based upon outstanding advances. See note 13 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s FHLB Advances.

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

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

Treasury tax and loan borrowings represent BankAtlantic s participation in the Federal Reserve Treasury Investment Program. Under this program the Federal Reserve places funds with BankAtlantic obtained from treasury tax and loan payments received by financial institutions. See note 14 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s Treasury tax and loan borrowings.

Federal funds borrowings occur under established facilities with various federally-insured banking institutions to purchase federal funds. We also have a borrowing facility with various federal agencies which may place funds with us at overnight rates. BankAtlantic uses these facilities on an overnight basis to assist in managing its cash flow

Table of Contents

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

Table of Contents

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

Employees

Management believes that its relations with its employees are satisfactory. The Company currently maintains comprehensive employee benefit programs that are considered by management to be generally competitive with programs provided by other major employers in its markets.

The number of employees at the indicated dates was:

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

Competition

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

We face substantial competition for both loans and deposits. Competition for loans comes principally from other banks, savings institutions and other lenders. This competition could decrease the number and size of loans that we make and the interest rates and fees that we receive on these loans.

We compete for deposits with banks, savings institutions and credit unions, as well as institutions offering uninsured investment alternatives, including money market funds and mutual funds. These competitors may offer higher interest rates than we do, which could decrease the deposits that we attract or require us to increase our rates to attract new deposits. Increased competition for deposits could increase our cost of funds, reduce our net interest margin and adversely affect our ability to generate the funds necessary for our lending operations.

<u>Regulation and Supervision</u>

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.

Table of Contents

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.

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

Table of Contents

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

16

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 loans were originally underwritten based on projected sales of the developed lots to the builders/option holders, and timely repayment of the loans is primarily dependent upon the sale of the property pursuant to the options. If the lots are not sold as originally anticipated, BankAtlantic anticipates that the borrower may not be in a position to service the loan, with the likely result being an increase in nonperforming loans and loan losses in this category. The number of homebuilders who have publicly announced that they are, or are contemplating, terminating these options or seeking bankruptcy protection substantially increases the risk that the lots will not be acquired as contemplated. Six loans in this category totaling $86.5 million were on non-accrual at December 31, 2007.

The land acquisition and development loan category consists of 34 loans and aggregates $202.2 million and generally consists of loans secured by residential land which is intended to be developed by the borrower and sold to homebuilders. These loans are generally underwritten more stringently than builder land bank loans, as an option agreement with a regional or national builder did not exist at the origination date. Two loans in this category totaling $7.3 million were on non-accrual at December 31, 2007.

The land acquisition, development and construction loan category consists of 29 loans and aggregates $151.3 million. This category generally consists of loans secured by residential land which will be fully developed by the borrower who may also construct homes on the property. These loans generally involve property with a longer investment and development horizon, are guaranteed by the borrower or individuals and/or are secured by additional collateral or equity such that it is expected that the borrower will have the ability to service the debt for a longer period of time. Seven loans in this category totaling $57.2 million were on non-accrual at December 31, 2007.

Market conditions may result in BankAtlantic s commercial real estate borrowers having difficulty selling lots or homes in their developments for an extended period, which in turn could result in an increase in residential construction loan delinquencies and non-accrual balances. Additionally, if the current economic environment continues for a prolonged period of time or deteriorates further, collateral values may further decline and are likely to result in increased credit losses in these loans.

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

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

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

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

Table of Contents

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

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

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

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

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

Increase in the Allowance for Loan Losses will result in reduced earnings.

As a lender, BankAtlantic is exposed to the risk that its customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans will not be sufficient to assure full repayment. BankAtlantic evaluates the collectibility of its loan portfolio and provides an allowance for loan losses that it believes is adequate based upon such factors as:

- the risk characteristics of various classifications of loans;
- Previous loan loss experience;
- specific loans that have loss potential;
- delinquency trends;
- estimated fair value of the collateral;
- current economic conditions;
- the views of its regulators; and
- geographic and industry loan concentrations.

Many of these factors are difficult to predict or estimate accurately, particularly in a changing economic environment. If BankAtlantic s evaluation is incorrect and borrower defaults cause losses exceeding the portion of the allowance for loan losses allocated to those loans, our earnings could be significantly and adversely affected. BankAtlantic may experience losses in its loan portfolios or perceive adverse trends that require it to significantly increase its allowance for loan losses in the future, which would reduce future earnings. In addition, BankAtlantic s regulators may require it to increase

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

Adverse events in Florida, where our business is currently concentrated, could adversely impact our results and future growth.

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

Changes in interest rates could adversely affect our net interest income and profitability.

The majority of BankAtlantic s assets and liabilities are monetary in nature. As a result, the earnings and growth of BankAtlantic are significantly affected by interest rates, which are subject to the influence of economic conditions generally, both domestic and foreign, events in the capital markets and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve Board. The nature and timing of any changes in such policies or general economic conditions and their effect on BankAtlantic cannot be controlled and are extremely difficult to predict. Changes in interest rates can impact BankAtlantic s net interest income as well as the valuation of its assets and liabilities.

Banking is an industry that depends to a large extent on its net interest income. Net interest income is the difference between:

- interest income on interest-earning assets, such as loans; and

- interest expense on interest-bearing liabilities, such as deposits.

Changes in interest rates can have differing effects on BankAtlantic s net interest income. In particular, changes in market interest rates, changes in the relationships between short-term and long-term market interest rates, or the yield curve, or changes in the relationships between different interest rate indices can affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income and therefore reduce BankAtlantic s net interest income. While BankAtlantic has attempted to structure its asset and liability management strategies to mitigate the impact on net interest income of changes in market interest rates, we cannot provide assurances that BankAtlantic will be successful in doing so.

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

- it amortizes premiums on acquired loans and securities, and if loans are prepaid, the unamortized premium will be charged off; and

- the yields it earns on the investment of funds that it receives from prepaid loans and securities are generally less than the yields that it earned on the prepaid loans.

Significant loan prepayments in BankAtlantic s mortgage and investment portfolios in the future could have an adverse effect on BankAtlantic s earnings. Additionally, increased prepayments associated with purchased residential loans may result in increased amortization of premiums on acquired loans, which would reduce BankAtlantic s interest income.

In a rising interest rate environment, loan and securities prepayments generally decline, resulting in yields that are less than the current market yields. In addition, the credit risks of loans with adjustable rate mortgages may worsen as

interest rates rise and debt service obligations increase.

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

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

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

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

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

BankAtlantic s new stores may not achieve profitability.

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

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

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

Regulatory Compliance.

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

Parent Company

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

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

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

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

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

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

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

As of December 31, 2007, BFC Financial Corporation (BFC) owned all of the Company s issued and outstanding Class B common stock and 8,329,236 shares, or approximately 15%, of the Company s issued and outstanding Class A common stock. BFC s holdings represent approximately 55% of the Company s total voting power. Class A common stock and Class B common stock vote as a single group on most matters. Accordingly, BFC is in a position to control the Company, elect the Company s Board of Directors and significantly influence the outcome of any shareholder vote, except in those limited circumstances where Florida law mandates that the holders of our Class A common stock vote as a separate class. BFC s control position may have an adverse effect on the market price of the Company s Class A common stock.

Table of Contents

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

The Company is a grandfathered unitary savings and loan holding company and has broad authority to engage in various types of business activities. The OTS can prevent us from engaging in activities or limit those activities if it determines that there is reasonable cause to believe that the continuation of any particular activity constitutes a serious risk to the financial safety, soundness, or stability of BankAtlantic. The OTS may also:

limit the payment of dividends by BankAtlantic to us;

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

limit our activities and the activities of BankAtlantic; or

impose capital requirements on us.

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

BankAtlantic owns the Company s and BankAtlantic s principal and executive offices which are located at 2100 West Cypress Creek Road, Fort Lauderdale, Florida, 33309.

The following table sets forth owned and leased stores by region at December 31, 2007:

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

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

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

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

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

	Miami -		Palm	Tampa	Orlando /

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