BANKATLANTIC BANCORP INC
Form 10-K
March 16, 2009

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, 2008

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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller 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 $71.8 million computed by reference to the closing price of the Registrant s Class A Common Stock on June 30, 2008.

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

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

Table of Contents

PART I
ITEM I. BUSINESS

Except for historical information contained herein, the matters discussed in this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of BankAtlantic Bancorp, Inc. (the Company) and are subject to a number of risks and uncertainties that are subject to change based on factors which are, in many instances, beyond the Company s control. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, products and services, including the impact of a continued and deepening recession on our business generally, our regulatory capital ratios, and the ability of our borrowers to meet their obligations and of our customers to maintain account balances; credit risks and loan losses, and the related sufficiency of the allowance for loan losses, including the impact on the credit quality of our loans (including those held in the asset workout subsidiary of the Company) of a sustained downturn in the economy and in the real estate market and other changes in the real estate markets in our trade area, and where our collateral is located; risks associated with changes in or the impact of legislative and regulatory policies and requirements on the Company, BankAtlantic and their assets and activities; the risks of additional charge-offs, impairments and required increases in our allowance for loan losses; changes in interest rates and the effects of, and changes in, trade, monetary and fiscal policies and laws including their impact on the bank s net interest margin; adverse conditions in the stock market, the public debt market and other financial and credit markets and the impact of such conditions on our activities, including our ability to raise capital, the value of our assets and on the ability of our borrowers to meet their debt obligations and BankAtlantic s seven-day banking initiatives and other initiatives not resulting in continued growth of core deposits or increasing average balances of new deposit accounts or producing results which do not justify their costs; the success of our expense reduction initiatives and the ability to achieve additional cost savings; and the impact of periodic valuation testing of goodwill and other assets. Past performance, actual or estimated new account openings and growth may not be indicative of future results. In addition to the risks and factors identified above, reference is also made to other risks and factors detailed in this annual report on Form 10-K, including Item 1A. Risk Factors. The Company cautions that the foregoing factors are not exclusive.

The Company

We are a Florida-based bank holding company and own BankAtlantic and its subsidiaries. BankAtlantic provides a full line of products and services encompassing retail and business banking. We report our operations through two business segments consisting of BankAtlantic and BankAtlantic Bancorp, the Parent Company. Detailed operating financial information by segment is included in Note 30 to the Company s consolidated financial statements. On February 28, 2007, the Company completed the sale to Stifel Financial Corp. (Stifel) of Ryan Beck Holdings, Inc. (Ryan Beck), a subsidiary engaged in retail and institutional brokerage and investment banking. As a consequence, the Company exited this line of business and the results of operations of Ryan Beck are presented as Discontinued Operations in the Company s consolidated financial statements for the years ended December 31, 2007 and 2006.

Our Internet website address is www.bankatlanticbancorp.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through our website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Our Internet website and the information contained in or connected to our website are not incorporated into, and are not part of this Annual Report on Form 10-K.

As of December 31, 2008, we had total consolidated assets of approximately $5.8 billion and stockholders equity of approximately $244 million.

Table of Contents

BankAtlantic

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

BankAtlantic s primary business activities include:

attracting checking and savings deposits from individuals and business customers,

originating commercial real estate, middle market, consumer and small business loans,

purchasing wholesale residential loans, and

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

BankAtlantic s business strategy

BankAtlantic is currently focusing its efforts in the following areas:

Continuing the Bank s Florida s Most Convenient Bank Initiative. BankAtlantic began its Florida s Most Convenient Bank initiative in 2002, when it introduced seven-day banking in Florida. This banking initiative resulted in a significant increase in core deposits (demand deposit accounts, NOW checking accounts and savings accounts). BankAtlantic s core deposits increased from approximately $600 million as of December 31, 2001 to $2.2 billion as of December 31, 2008. We believe the competitive market for deposits, the impact of the recession on our customers as well as reduced confidence in the banking system negatively impacted the growth of core deposits, which at December 31, 2008 declined by $151.0 million or 7% from December 31, 2007. While we believe that the decrease is a reflection of what is happening in the market generally, we are implementing strategies which we believe will enhance customer loyalty with our current customers and attract new customers in an effort to increase our core deposit balances.

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

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

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

Table of Contents

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

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

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

Loan Products

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

Residential: Historically, BankAtlantic has purchased residential loans in the secondary markets that have been originated by other institutions. These loans, which are serviced by independent servicers, are secured by properties located throughout the United States. When BankAtlantic purchases residential loans, it evaluates the originator s underwriting of the loans and, for most individual loans, performs confirming credit analyses. Residential loans are typically purchased in bulk and are generally non-conforming loans under agency guidelines due to the size of the individual loans. BankAtlantic sets general guidelines for loan purchases relating to loan amount, type of property, state of residence, loan-to-value ratios, the borrower s sources of funds, appraised amounts and loan documentation, but actual purchases will generally reflect availability and market conditions, and may vary from BankAtlantic s general guidelines. The weighted average FICO credit scores and loan-to-value ratios (calculated at the time of origination) of purchased loans outstanding as of December 31, 2008 was 742 and 68%, respectively, and the original back end debt ratio was a weighted average of 33%. Included in these purchased residential loans are interest-only loans. These loans result in possible future increases in a borrower s loan payments when the contractually required repayments increase due to interest rate adjustments and when required amortization of the principal amount commences. These payment increases could affect a borrower s ability to repay the loan and lead to increased defaults and losses. At December 31, 2008, BankAtlantic s residential loan portfolio included $980 million of interest-only loans, $44.8 million of which will become fully amortizing and have interest rates reset in 2009. The credit scores and loan-to-value ratios for interest-only loans are similar to amortizing loans. BankAtlantic has attempted to manage the credit risk associated with these loans by limiting purchases of interest-only loans to those originated to borrowers that it believes to be credit worthy, with loan-to-value and total debt to income ratios within agency guidelines. BankAtlantic does not purchase sub-prime, option-arm, pick-a-payment or negative amortizing residential loans. Loans in the purchased residential loan portfolio generally do not have prepayment penalties.

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

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

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

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

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

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

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

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

Table of Contents

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

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

Total loans
receivable, net

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

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

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

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

Investments

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

Table of Contents

conduits (REMICs), which are accounted for as securities available for sale. BankAtlantic s securities available for sale portfolio at December 31, 2008 reflects a decision to seek high credit quality and securities guaranteed by government sponsored enterprises in an attempt to minimize credit risk in its investment portfolio to the extent possible. The available for sale securities portfolio serves as a source of liquidity while at the same time provides a means to moderate the effects of interest rate changes. The decision to purchase and sell securities from time to time is based upon a current assessment of the economy, the interest rate environment, and capital and liquidity strategies and requirements. BankAtlantic s investment portfolio does not include credit default swaps, commercial paper, collateralized debt obligations, structured investment vehicles, auction rate securities or equity securities in Fannie Mae or Freddie Mac.

Tax Certificates: Tax certificates are evidences of tax obligations that are sold through auctions or bulk sales by various state and local taxing authorities. Certain municipalities bulk sale their entire tax certificates for the prior year by auctioning the portfolio to the highest bidder instead of auctioning each property. The tax obligation arises when the property owner fails to timely pay the real estate taxes on the property. Tax certificates represent a priority lien against the real property for the delinquent real estate taxes. The minimum repayment to satisfy the lien is the certificate amount plus the interest accrued through the redemption date, plus applicable penalties, fees and costs. Tax certificates have no payment schedule or stated maturity. If the certificate holder does not file for the deed within established time frames, the certificate may become null and void and lose its value. BankAtlantic s experience with this type of investment has generally been favorable because the rates earned are generally higher than many alternative investments and substantial repayments typically occur over a one-year period. During 2008, BankAtlantic discontinued acquiring tax certificates through bulk sale auctions as it experienced higher than historical losses on legacy bulk purchased tax certificates which included properties in distressed areas outside the State of Florida.

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

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

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

Weighted average maturity (yrs)						
December 31, 2007						
Fair values (2)	$188,401		788,461	681	977,543	5.90%
Amortized cost (2)	$188,401		785,682	685	974,768	6.06%
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%

(1) Except for tax certificates, maturities are based upon contractual maturities. Tax certificates do not have stated maturities, and estimates in the above table are based upon historical repayment experience (generally 1 to 2 years).

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

excluded from the above table.

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

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

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

Deposit products and borrowed funds:

Deposits: BankAtlantic offers checking and savings accounts to individuals and business customers. These include commercial demand deposit accounts, retail demand deposit accounts, savings accounts, money market accounts, certificates of deposit, various NOW accounts and IRA and Keogh retirement accounts. BankAtlantic also obtains deposits from brokers and municipalities. BankAtlantic solicits deposits from customers in its geographic market through marketing and relationship banking activities primarily conducted through its sales force and store network. BankAtlantic primarily solicits deposits at its branches (or stores) through its Florida s Most Convenient Bank initiative. During 2008, BankAtlantic began participating in the Certificate of Deposit Account Registry Services (CDARS) program. This program allows BankAtlantic to offer to its customers federally insured deposits up to $50 million. BankAtlantic has also elected to participate in the FDIC s Transaction Account Guarantee Program whereby the FDIC through December 31, 2009 fully insures BankAtlantic s entire portfolio of non-interest bearing deposits, and interest-bearing deposits with rates at or below fifty basis points and, subject to applicable terms, insures up to $250,000 of other deposit accounts. See note 13 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s deposit accounts.

Table of Contents

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

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

Securities sold under agreements to repurchase include a sale of a portion of its current investment portfolio (usually mortgage-backed securities and REMICs) at a negotiated rate and an agreement to repurchase the same assets on a specified future date. BankAtlantic issues repurchase agreements to institutions and to its customers. These transactions are collateralized by securities in its investment portfolio but are not insured by the FDIC. See note 16 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s Securities sold under agreements to repurchase borrowings.

Treasury tax and loan borrowings represent BankAtlantic s participation in the Federal Reserve Treasury Investment Program. Under this program the Federal Reserve places funds with BankAtlantic obtained from treasury tax and loan payments received by financial institutions. See note 15 to the Notes to Consolidated Financial Statements for more information regarding BankAtlantic s Treasury tax and loan borrowings.

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

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

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

Parent Company

The Parent Company (Parent) operations primarily consist of financing of the capital needs of BankAtlantic and its subsidiaries and management of the asset work-out subsidiary and other investments. In March 2008, the Parent Company used a portion of its proceeds obtained from the Ryan Beck sale to Stifel to form an asset work-out subsidiary which purchased from BankAtlantic $101.5 million of non-performing loans at BankAtlantic s carrying value. The work-out subsidiary has entered into an agreement with BankAtlantic to service the transferred non-performing loans. The Parent also has arrangements with BFC Financial Corporation (BFC) for BFC to provide certain human resources, insurance management, investor relations, and other administrative services to the Parent and its subsidiaries. The Parent obtains its funds from issuances of equity and debt securities, proceeds from sales of investment securities, returns on portfolio investments, repayments and pay downs of loans in its workout subsidiary and dividends from its subsidiaries. The Parent provides funds to its subsidiaries as capital contributions for general corporate purposes. The largest expense of the Parent Company is interest expense on junior subordinated debentures issued in connection with trust preferred securities. The Company has the right to defer quarterly payments of interest on the junior subordinated debentures for a period not to exceed 20 consecutive quarters without default or penalty. In February and March 2009, the Company notified the trustees under its junior subordinated debentures that it has elected to defer its quarterly interest payments. During the deferral period, the respective trusts will likewise suspend the declaration and payment of dividends on the trust preferred securities. Additionally, during the deferral period, the Company will not pay dividends on or repurchase its common stock. The Parent Company deferred the interest and dividend payments in order to preserve its liquidity in response to current economic conditions.

The Company had the following cash and investments as of December 31, 2008. There is no assurance that these investments will maintain the estimated fair value indicated on the table below or that we would receive proceeds equal to estimated fair value upon the liquidation of these investments.

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

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

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

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

Employees

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

The number of employees at the indicated dates was:

	December 31, 2008		**December 31, 2007**	
	Full-Time	Part-time	Full-time	Part-time
BankAtlantic Bancorp	6		7	
BankAtlantic	1,698	143	2,207	355

Total	1,704	143	2,214	355

Table of Contents

Competition

The banking and financial services industry is very competitive and is in a transition period. The financial services industry is experiencing a severe downturn and there is increased competition in the marketplace. We expect continued consolidation in the financial service industry creating larger financial institutions. Our primary method of competition is emphasis on relationship banking, customer service and convenience, including our Florida s Most Convenient Bank and Local Market Management 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 results of operations.

Regulation and Supervision

Holding Company

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

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

- acquiring another savings institution or its holding company without prior written approval of the OTS;
- acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings institution, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by HOLA; or
- Acquiring or retaining control of a depository institution that is not insured by the FDIC.

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

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

Transactions between BankAtlantic, including any of BankAtlantic s subsidiaries, and us or any of BankAtlantic s affiliates, are subject to various conditions and limitations. See Regulation of Federal Savings Banks Transactions with Related Parties. BankAtlantic must seek approval from the OTS prior to any declaration of the payment of any dividends or other capital distributions to the Company. 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, 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, 2008, BankAtlantic s limit on loans to one borrower was approximately $77.8 million. At December 31, 2008, BankAtlantic s largest aggregate amount of loans to one borrower was approximately $46.1 million and the second largest borrower had an aggregate balance of approximately $37.8 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, 2008, BankAtlantic maintained approximately 79.0% of its portfolio assets in qualified thrift investments. BankAtlantic had also satisfied the QTL test in each of the nine months prior to December 2008 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 risk management of individual institutions. The OTS may impose an individual minimum capital requirement on institutions that it believes exhibit a higher degree of risk.

At December 31, 2008, BankAtlantic exceeded all applicable regulatory capital requirements. See note #23 to the Notes to the Consolidated Financial Statements for actual capital amounts and ratios.

There currently are no regulatory capital requirements directly applicable to us as a unitary savings and loan holding company apart from the regulatory capital requirements for savings banks that are applicable to BankAtlantic; however, changes in regulations could result in additional requirements being imposed on us.

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 the Company 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 in the event 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, 2008 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.

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 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 certain of 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 OTS categorized BankAtlantic as well capitalized following its last examination. However, there is no assurance that it will continue to be deemed well capitalized even if current capital ratios are maintained in circumstances where asset quality continues to deteriorate.

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).

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. On October 3, 2008, the Emergency Economic Stabilization Act of 2008, or the Stabilization Act, temporarily raised the basic insurance coverage limit to $250,000. The Stabilization Act provides that the basic insurance limit will return to $100,000 after December 31, 2009.

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. For the quarter which began January 1, 2009, insurance assessment rates range from 12 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 50 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. The FDIC has proposed to adjust, and in certain instances increase, insurance assessment rates for quarters beginning on or after April 1, 2009 as well as impose a special assessment payable September 30, 2009. While the special assessment is under continued discussion, increases in deposit insurance premiums would 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 of Atlanta, which is one of the twelve regional FHLB s composing the FHLB system. Each FHLB provides a central credit facility primarily for its member institutions as well as other entities involved in home mortgage lending. Any advances from a FHLB must be secured by specified types of collateral, and all long-term advances may be obtained only for the purpose of providing funds for residential housing finance. As a member of the FHLB of Atlanta, BankAtlantic is required to acquire and hold shares of capital stock in the FHLB of Atlanta. BankAtlantic was in compliance with this requirement with an investment in FHLB of Atlanta stock at December 31, 2008 of approximately $55 million. During the year ended December 31, 2008, the FHLB of Atlanta paid dividends of approximately $2.8 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. The FHLB did not pay a dividend during the fourth quarter of 2008.

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.

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

Adverse market conditions have affected and may continue to affect the financial services industry as well as our business and results of operations.

Our financial condition and results of operations have been, and may continue to be, adversely impacted as a result of the downturn in the U.S. housing market and general economic conditions. Dramatic declines in the national and, in particular, Florida housing markets over the past year, with falling home prices and increasing foreclosures and unemployment, have negatively impacted the credit performance of our loans and resulted in significant asset impairments at all financial institutions, including government-sponsored entities, major commercial and investment banks, and regional and community financial institutions including BankAtlantic. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The continuing economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. The difficult conditions in the financial markets and real estate markets are not expected to improve in the foreseeable future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on BankAtlantic and others in the financial services industry. In particular, we may face the following risks in connection with these events:

- BankAtlantic s borrowers may be unable to make timely repayments of their loans, or the value of real estate collateral securing the payment of such loans may decrease which could result in increased delinquencies, foreclosures and customer bankruptcies, any of which would increase levels of non-performing loans resulting in significant credit losses, increased expenses and could have a material adverse effect on our operating results.

Further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations, may result in an inability to borrow on favorable terms or at all from other financial institutions or government entities.

Increased regulation of the industry may increase costs and limit BankAtlantic s activities and operations.

Increased competition among financial services companies based on the recent consolidation of competing financial institutions and the conversion of investment banks into bank holding companies, may adversely affect BankAtlantic s ability to market its products and services.

BankAtlantic may be required to pay significantly higher FDIC deposit premiums and assessments.

Consumer confidence in the financial industry has weakened and individual wealth has deteriorated, which could lead to declines in deposits and impact liquidity.

Continued asset valuation declines could adversely impact our credit losses and result in additional goodwill and other asset impairments.

There can be no assurance that recent steps taken by Congress, the FDIC and the Federal Reserve will stabilize the U.S. financial system.

On October 3, 2008, President Bush signed into law the Emergency Economic Stabilization Act of 2008, as amended (the EESA). The legislation was in response to the financial crises affecting the banking system and financial markets, and going concern threats to investment banks and other financial institutions. The U.S. Department of Treasury (the U.S. Treasury) and federal banking regulators are implementing a number of programs under this legislation and otherwise to address capital and liquidity issues in the banking system, including the U.S. Treasury s Capital Purchase Program (the CPP), pursuant to which the U.S. Treasury has made senior preferred stock investments in participating financial institutions. In addition, other regulators have taken steps to attempt to stabilize and add liquidity to the financial markets, such as the FDIC s Temporary Liquidity Guarantee Program, pursuant to which, under the systemic risk exception to the Federal Deposit Act (the FDA), the FDIC has offered a guarantee of certain financial institution indebtedness in exchange for an insurance premium payment made to the FDIC by the participating financial institution.

On February 10, 2009, the Treasury announced a new comprehensive financial stability plan (the Financial Stability Plan), which earmarked the second $350 billion originally authorized under the EESA. The Financial Stability Plan is intended to, among other things, make capital available to financial institutions, purchase certain legacy loans and assets from financial institutions, restart securitization markets for loans to consumers and businesses and relieve certain pressures on the housing market, including the reduction of mortgage payments and interest rates. In addition, the American Recovery and Reinvestment Act of 2009 (the ARRA), which was signed into law on February 17, 2009, includes, among other things, extensive new restrictions on the compensation arrangements of financial institutions participating in the CPP.

There have been numerous actions undertaken in connection with or following EESA, the Financial Stability Plan and ARRA by the Federal Reserve Board, U.S. Congress, the U.S. Treasury, the FDIC, the SEC and others in efforts to address the current liquidity and credit crisis in the financial industry that followed the sub-prime mortgage market meltdown which began in late 2007. These measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; emergency action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; coordinated international efforts to address illiquidity and other weaknesses in the banking sector and other programs being developed.

There can be no assurance, however, as to the actual impact that these government initiatives will have on the financial markets, including the extreme levels of market volatility and limited credit availability currently being experienced. The failure of these government initiatives to stabilize the financial markets, or a continuation or worsening of current financial market conditions, could materially

20

and adversely affect BankAtlantic s business, financial condition, results of operations and access to credit. Any such failure may also adversely impact the trading price of the Company s Class A common stock.

In addition, the EESA, ARRA and the Financial Stability Plan are relatively new initiatives and, as such, are subject to change and evolving interpretation. There can be no assurances as to the effects that any further changes will have on the effectiveness of the government s efforts to stabilize the credit markets or on BankAtlantic s business, financial condition or results of operations.

As previously announced, the Company and BankAtlantic filed an application to participate in the CPP. The United States Treasury had not, as of March 16, 2009, acted on the application and such application may not be approved. Further, the Company s decision to defer quarterly payment of interest on its outstanding trust preferred junior subordinated debentures may adversely impact our application to receive funds under the CPP.

The impact on us of recently enacted legislation, in particular the EESA and its implementing regulations, and actions by the FDIC, cannot be predicted at this time.

The programs established or to be established under the EESA and Troubled Asset Relief Program may have adverse effects upon us. Our industry may be subject to increased regulation, and compliance with such regulations may increase our costs and limit our ability to pursue business opportunities. Also, participation in specific programs may subject us to additional restrictions. For example, if we participate in the CPP, our ability to make dividend payments or to repurchase our common stock will be limited and subject to the restrictions contained in that program for so long as any securities issued under such program remain outstanding. It will also subject us to additional executive compensation restrictions. Similarly, programs established by the FDIC under the systemic risk exception of the FDA, may have an adverse effect on us and we anticipate that the cost of FDIC premiums will increase.

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

The continued deterioration of economic conditions in the Florida residential real estate market, including the continued decline in home sales and median home prices year-over-year in all major metropolitan areas in Florida, and the recent downturn in the Florida commercial real estate market, resulted in a substantial increase in non-performing assets and BankAtlantic s provision for loan losses. The housing industry is in the midst of a substantial and prolonged downturn 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, the deteriorating condition of the Florida economy and these adverse market conditions have negatively impacted the commercial non-residential real estate market. BankAtlantic s earnings and financial condition were adversely impacted during 2008 as the majority of its loans are secured by real estate in Florida. We expect that our earnings and financial condition will continue to be unfavorably impacted if market conditions do not improve or deteriorate further. At December 31, 2008, BankAtlantic s loan portfolio included $208.1 million of non-accrual loans concentrated in Florida.

Our loan portfolio is concentrated in real estate lending which makes us more susceptible to credit losses given the current depressed real estate market.

The national real estate market declined significantly during 2007 and 2008, particularly in Florida, BankAtlantic s primary lending area. BankAtlantic s 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 BankAtlantic s markets in Florida). BankAtlantic has a heightened exposure to credit losses that may arise from this concentration as a result of the significant downturn in the Florida real estate markets. At December 31, 2008 BankAtlantic s loan portfolio included $2.7 billion of loans concentrated in Florida, which represented approximately 60% of its loan portfolio.

We believe that BankAtlantic s commercial residential development loan portfolio has significant exposure to further declines in the Florida residential real estate market. The builder land bank loan category consists of 7 loans and aggregates $62.4 million of which four loans totaling $40.4 million were on non-accrual as of December 31, 2008. The land acquisition and development loan category consists of 25 loans and aggregates $165.8 million of which three loans totaling $33.2 million were on non-accrual as of December 31, 2008. The land acquisition, development and construction loan category consists of 14 loans and aggregates $75.5 million of which three loans totaling $18.5 million were on non-accrual as of December 31, 2008.

In addition to the loans described above, during 2008, the Company formed an asset workout subsidiary which acquired non-performing commercial and commercial residential real estate loans from BankAtlantic. The balance of these non-performing loans as of December 31, 2008 was $79.3 million with $22.0 million, $16.8 million and $29.2 million of builder land bank loans , land acquisition and development loans , and land acquisition, development and construction loans, respectively.

Market conditions may result in our 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 even further decline and are likely to result in increased credit losses in these loans.

Included in the commercial real estate loans are approximately $225 million of commercial non-residential construction loans. These loans could be susceptible to extended maturities or borrower default, and BankAtlantic could experience higher credit losses and non-performing loans in this portfolio if the economy remains at depressed levels particularly in Florida or if commercial non-residential real estate market values further decline.

BankAtlantic s commercial non-residential loan portfolio includes loans collateralized by income producing properties such as retail shopping centers, warehouses, and office buildings. The current recession has negatively impacted the cash flow generated from these rental properties which in turn impacts the borrowers ability to fund the debt service on their loans. If market conditions do not improve or deteriorate further, BankAtlantic may recognize higher credit losses on these loans, which would adversely affect our results of operations and financial condition.

BankAtlantic s commercial real estate loan portfolio includes large lending relationships, including 5 relationships with unaffiliated borrowers involving lending commitments in each case in excess of $30 million. 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 BankAtlantic operates its 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 BankAtlantic s 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 BankAtlantic s home equity portfolio are residential second mortgages and BankAtlantic experienced heighted delinquencies and credit losses in this portfolio during 2008. If current economic conditions do not improve and home prices continue to fall, BankAtlantic may experience higher credit losses from this loan portfolio. Since the collateral for this portfolio primarily consists of second mortgages, it is unlikely that BankAtlantic will be successful in recovering all or any portion of its loan proceeds in the event of a default unless BankAtlantic is prepared to repay the first mortgage and such repayment and the costs associated with a foreclosure are justified by the value of the property

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

While they have performed satisfactorily to date**,** approximately 50% of BankAtlantic s purchased residential loan portfolio (approximately $980 million) consists of interest-only loans. While these loans are not considered sub-prime or negative amortizing loans, they are loans with 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 which also increases our exposure to loss.

An increase in BankAtlantic s 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 collectability 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 probable 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. The process of determining the estimated losses inherent in BankAtlantic s loan portfolio requires subjective and complex judgments and the level of uncertainty concerning economic conditions may adversely affect BankAtlantic s ability to estimate the incurred losses in its loan portfolio. 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.

Increases in the allowance for loan losses with respect to the loans held by our asset workout subsidiary, or losses in that portfolio which exceed the current allowance assigned to that portfolio, would similarly adversely affect us.

Our loan portfolio subjects us to high levels of credit and counterparty risk.

We are exposed to the risk that our 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, we seek 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. The majority of BankAtlantic s residential loans are serviced by others. The servicing agreements may restrict BankAtlantic s ability to initiate work-out and modification arrangements with borrowers which could adversely impact BankAtlantic s ability to minimize losses on non-performing loans.

The Company is also exposed to credit and counterparty risks with respect to loans held in our asset workout subsidiary.

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, the primary source of repayment for its small business loans and the real estate collateralizing its commercial real estate loans (and the loans held by our asset workout subsidiary) and its home equity loans are primarily concentrated in Florida. As a result, we are exposed to geographic risks, as unemployment, declines in the housing industry and declines in the real estate market are more severe in Florida than in the rest of the country. Adverse changes in laws and regulations in Florida would have a greater negative impact on our revenues, financial condition and business than similar institutions in markets outside of Florida. Further, the State of Florida is subject to the risks of natural disasters such as tropical storms and hurricanes.

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.

Table of Contents

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 or securities 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 as proceeds from the repayment of loans may be reinvested in loans with lower interest rates. 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.

BankAtlantic is subject to liquidity risk as its loans exceed its deposits.

Like all financial institutions, BankAtlantic s assets exceed customer deposits and changes in interest rates, availability of alternative investment opportunities, a loss of confidence in financial institutions in general or BankAtlantic in particular, and other factors may make deposit gathering more difficult. If BankAtlantic experiences decreases in deposit levels, it may need to increase its borrowings or liquidate a portion of its assets which may not be readily saleable. Additionally, interest rate changes or further disruptions in the capital markets may make the terms of borrowings and deposits less favorable. As a result, there is a risk that the cost of funding will increase or that BankAtlantic will not have funds to meet its obligations. For a further discussion on liquidity refer to Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources.

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 from January 2005 to August 2008 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. The new stores are located throughout Florida and represent a 51% increase, based on the number of stores, in BankAtlantic s retail network. 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 $212.9 million during 2008. The current economic recession has impacted the length of time required for these new stores to achieve profitability. As a consequence, BankAtlantic is currently reorganizing its operations in an attempt to improve its performance by significantly reducing operating expenses while focusing on its core businesses and maintaining quality customer service. As part of this strategy, since 2007, BankAtlantic has slowed its network expansions and reduced its services hours and, in 2008, BankAtlantic sold five of its branches located in Orlando to an independent financial institution. While management is focused on reducing overall expenses, there is no assurance that BankAtlantic will be successful in efforts to significantly reduce these expenses and the continuation of the current expense structure may have an adverse impact on our results.

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

BankAtlantic s 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 deposit accounts or in overdraft frequency resulting in a decline in service charge income. Also, the downturn in the Florida economy could result in the inability to collect overdraft fees 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 our results.

Deposit premium insurance assessments may increase substantially, which will adversely affect expenses.

BankAtlantic s FDIC deposit insurance expense for the year ended December 31, 2008 was $2.8 million. We expect, however, that BankAtlantic s FDIC deposit insurance assessments will significantly increase in 2009 due to the recent experience of the FDIC deposit insurance fund relating to recent bank failures and the stress on the system. While the amount of the increase is uncertain, any increase in the FDIC deposit insurance will increase BankAtlantic s expenses, thereby adversely impacting our results.

Regulatory Compliance.

The banking industry is an industry subject to multiple layers of regulation. 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. 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 . Changes in the regulation or capital requirements associated with holding companies generally or BankAtlantic Bancorp in particular could also have an adverse impact.

We may need to raise additional capital in the future and such capital may not be available when needed or at all.

In light of the current challenging economic environment, the Company is considering raising funds to be in a position to provide additional capital to BankAtlantic, if needed. Additionally, the OTS could impose capital requirements on the Company or could impose additional capital requirements on BankAtlantic. Our ability to raise additional capital will depend on, among other things, conditions in the financial markets at the time, which are outside of our control, and our financial condition, results of operations and prospects. The ongoing liquidity crisis and the loss of confidence in financial institutions may make it more difficult or more costly to obtain financing.

There is no assurance that such capital will be available to us on acceptable terms or at all. The terms and pricing of any transaction by the Company or BankAtlantic could result in substantial dilution to our existing shareholders and could adversely impact the price of our Class A common stock.

Continued capital and credit market volatility may adversely affect our ability to access capital and may have a material adverse effect on our business, financial condition and results of operations.

The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for issuers without regard to the issuers underlying financial strength. If current levels of market disruption and volatility continue or worsen, our ability to access capital as well as our business, financial condition and results of operations could be adversely affected.

A sustained decline in the Company s Class A common stock price may result in the delisting of its Class A common stock from the New York Stock Exchange.

The Company s Class A common stock currently trades on the New York Stock Exchange. Like other companies involved in the financial services industry, the trading price of the Company s Class A common stock has recently experienced a substantial decline. Previously, a listed company would be deemed to be below compliance with the continued listing standards of the New York Stock Exchange if, among other things, the listed company s average closing price was less than $1.00 over a consecutive 30 trading day period or the listed company s average market capitalization was less than $25 million over a consecutive 30 trading day period. As a result of the ongoing turmoil in the economy generally, the New York Stock Exchange has modified its continued listing standards to suspend, until June 30, 2009, the $1.00 minimum price requirement and to lower, until June 30, 2009, the average market capitalization requirement from $25 million to $15 million.

If the Company does not meet the requirements for continued listing, then the Company s Class A common stock will be delisted from the New York Stock Exchange. In such case, the Company would attempt to cause its Class A common stock to be eligible for quotation on the OTC Bulletin Board. However, the trading price of the Company s Class A common stock would likely be adversely impacted, it may become more difficult for the holders of the Company s Class A common stock to sell or purchase shares of the Company s Class A common stock, and it may become more difficult for the Company to raise capital, which, in the event additional capital is required to operate our business, could materially and adversely impact our business, prospects, financial condition and results of operations.

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. However, at December 31, 2008, BankAtlantic had a retained net deficit and therefore is required to obtain approval from the OTS in order to make capital distributions to BankAtlantic Bancorp.

Due to BankAtlantic s recent net losses, BankAtlantic suspended dividends to BankAtlantic Bancorp in December 2008. In addition, if BankAtlantic participates in the CPP, its ability to pay dividends to BankAtlantic Bancorp in the future will be subject to the restrictions contained in that program. In February 2009, BankAtlantic Bancorp notified the trustees under its trust preferred junior subordinated debentures that it was electing to defer quarterly interest payments, which it has the right to do without default or penalty for up to twenty consecutive quarters. During the deferral period, the Company is not permitted to pay dividends on its common stock. Not withstanding the deferral, BankAtlantic Bancorp will continue to recognize a liability for the interest accrued and will be required to accrue interest on the deferred interest. At December 31, 2008, BankAtlantic Bancorp had approximately $294.2 million of indebtedness outstanding under the trust preferred junior subordinated debentures at the holding company level with maturities ranging from 2032 through 2037. The aggregate annual interest payments on this indebtedness were approximately $18 million based on interest rates at December 31, 2008 and is generally indexed to three-month LIBOR. BankAtlantic Bancorp s financial condition would be adversely affected if interest payments were deferred for a prolonged time period. For a further discussion refer to Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources.

The Company is controlled by BFC Financial Corporation and its controlling shareholders and this control position may adversely affect the market price of the Company s Class A common stock.

As of December 31, 2008, BFC Financial Corporation (BFC) owned all of the Company s issued and outstanding Class B common stock and 2,389,697 shares, or approximately 23.3%, of the Company s issued and outstanding Class A common stock. BFC s holdings represent approximately 58% of the Company s total voting power. Additionally, Alan B. Levan, our Chairman and Chief Executive Officer, and John E. Abdo, our Vice Chairman, beneficially own shares of BFC s Class A and Class B common stock representing approximately 73.8% of BFC s total voting power. The Company s Class A common stock and Class B common stock vote as a single group on most matters. Accordingly, BFC, directly, and Messrs. Levan and Abdo, indirectly through BFC, are 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 the Company s Class A common stock vote as a separate class. This control position may have an adverse effect on the market price of the Company s Class A common stock.

The Company s activities and the activities of the Company s subsidiaries, including BankAtlantic, are subject to regulatory requirements that could have a material adverse effect on the Company s 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 the Company 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 the Company;
- limit transactions between the Company, BankAtlantic and the subsidiaries or affiliates of either;
- limit the Company s activities and the activities of BankAtlantic; or
- Impose capital requirements on the Company or additional capital requirements on BankAtlantic.

Unlike bank holding companies, as a unitary savings and loan holding company the Company has not historically been 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 the Company s operations, including the Company s ability to pay dividends or to engage in certain transactions or activities. See Regulation and Supervision Holding Company.

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, 2008:

	Miami - Dade	Broward	Palm Beach	Tampa Bay
Owned full-service stores	9	13	25	7
Leased full-service stores	13	11	5	6
Ground leased full-service stores (1)	2	3	1	6
Total full-service stores	24	27	31	19
Lease expiration dates	2009-2026	2009-2015	2011-2014	2009-2026
Ground lease expiration dates	2026-2027	2017-2072	2026	2026-2032

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

The following table sets forth leased drive-through facilities, leased back-office facilities and leased loan production offices by region at December 31, 2008:

	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		2		1	1
Leased back-office expiration dates		2009-2011		2011	2013
Leased loan production facilities	1				
Leased loan production expiration dates	2009				

As of December 31, 2008, BankAtlantic was seeking to sublease or terminate eight operating leases and had executed two ground leases for the construction of new stores. BankAtlantic also has six parcels of land held for sale with an estimated market value of $6.8 million.

	Miami -		Palm	Tampa	Orlando /

	Dade	Broward	Beach	Bay	Jacksonville
Executed leases for new stores		1	1		
Executed lease expiration dates		2030	2029		
Executed leases held for sublease		1		5	2

	Miami - Dade	Broward	Palm Beach	Tampa Bay	Orlando / Jacksonville
Executed lease expiration dates		2013		2010-2048	2028-2029
Land held for sale			1	1	4

ITEM 3. LEGAL PROCEEDINGS

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

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

***D.W. Hugo, individually and on behalf of Nominal Defendant BankAtlantic Bancorp, Inc. vs. BankAtlantic Bancorp, Inc., Alan B. Levan, Jarett S. Levan, Jay C. McClung, Marcia K. Snyder, Valerie Toalson, James A. White, John E. Abdo, D. Keith Cobb, Steven M. Coldren, and David A. Lieberman,* Case No. 0:08-cv-61018-UU, United States District Court, Southern District of Florida**

On July 2, 2008, D.W. Hugo filed a purported class action which was brought as a derivative action on behalf of the Company pursuant to Florida laws in the United States District Court, Southern District of Florida against the Company and the above listed officers and directors. The Complaint alleges that the individual defendants breached their fiduciary duties by engaging in certain lending practices with respect to the Company s Commercial Real Estate Loan Portfolio. The Complaint further alleges that the Company s public filings and statements did not fully disclose the risks associated with the Commercial Real Estate Loan Portfolio and seeks damages on behalf of the Company. On December 2, 2008, the Circuit Court for Broward County stayed a separately filed action captioned *Albert R. Feldman, Derivatively on behalf of Nominal Defendant BankAtlantic Bancorp, Inc. vs. Alan B. Levan, et al.,* Case No. 0846795 07 which attempted to assert substantially the same allegations as in the *Hugo* matter, but with somewhat different state law causes of action. The court granted the motion to stay the action pending further order of the court and allowing any party to move for relief from the stay, provided the moving party gives at least thirty days written notice to all of the non-moving parties. The Company believes the claims to be without merit and intends to vigorously defend the actions.

Wilmine Almonor, individually and on behalf of all others similarly situated, vs. BankAtlantic Bancorp, Inc., Steven M. Coldren, Mary E. Ginestra, Willis N. Holcombe, Jarett S. Levan, John E. Abdo, David A. Lieberman, Charlie C. Winningham II, D. Keith Cobb, Bruno L. DiGiulian, Alan B. Levan, James A. White, the Security Plus Plan Committee, and Unknown Fiduciary Defendants 1-50, No. 0:07-cv-61862-DMM, United States District Court, Southern District of Florida.

On December 20, 2007, Wilmine Almonor filed a purported class action in the United States District Court for the Southern District of Florida against the Company and the above-listed officers, directors, employees, and organizations. The Complaint alleges that during the purported class period of November 9, 2005 to present, the Company and the individual defendants violated the Employment Retirement Income Security Act (ERISA) by permitting company employees to choose to invest in the Company s Class A common stock in light of the facts alleged in the *Hubbard* securities lawsuit. The Complaint seeks to assert claims for breach of fiduciary duties, the duty to provide accurate information, the duty to avoid conflicts of interest under ERISA and seeks unspecified damages. On February 18, 2009, the Plaintiff filed a second amended complaint. The Company believes the claims to be without merit and intends to vigorously defend the actions.

Lashelle Farrington, individually and on behalf of all others similarly situated, v. BankAtlantic, a Federal Savings Bank, BA Financial Services, LLC, a Florida limited liability corporation, BankAtlantic Bancorp, Inc., a Florida corporation, BFC Financial Corporation, a Florida corporation, and Does 1-10, Case No. 09-006210 (11), in the Circuit Court of the Seventeenth Judicial Circuit in and for Broward County, Florida.

On February 2, 2009, Lashelle Farington filed a purported class action for state common law breach of contract and unjust enrichment against BankAtlantic (the Bank), several of its affiliates, and various unnamed officers and agents. Specifically, the Complaint alleges that BankAtlantic breached its Personal Account Depositor s Agreement by charging overdraft fees for certain debit card purchases which allegedly did not cause the customers accounts to be overdrawn at time that they were paid. The Complaint alleges that rather than following the applicable provisions of the agreement, BankAtlantic charged overdraft fees for debit card purchases which occurred before the customer s account was actually overdrawn.

On the breach of contract claim, the Plaintiff seeks to establish a class comprised of all persons or entities with BankAtlantic checking accounts who incurred these allegedly improper overdraft fees on debit card transactions within the previous 5 years. On the unjust enrichment claim, the purported class is the same except that the class period is within the previous 4 years. The Complaint does not allege any specific amount in controversy.

This case is in the initial stages and we have not yet filed any responsive pleadings. The Company believes the claims to be without merit and intends to vigorously defend the actions.

In October 2008, the Company received a subpoena and notice of investigation by the Securities and Exchange Commission, Miami Regional Office. The subpoena requests a broad range of documents relating to, among other matters, recent and pending litigation to which the Company is or was a party, certain of the Company s non-performing, non-accrual and charged-off loans, the Company s cost saving measures, BankAtlantic Bancorp s recently formed asset workout subsidiary and any purchases or sale of the Company s common stock by officers or directors of the Company. The Company intends to fully cooperate and provide the requested documentation.

In the ordinary course of business, the Company and its subsidiaries are also parties to lawsuits as plaintiff or defendant involving its bank operations, lending, and tax certificates activities. Although the Company believes it has meritorious defenses in all current legal actions, the outcome of various legal actions is uncertain. Management does not believe its results of operations or financial condition will be materially impacted by the resolution of these matters.

Table of Contents

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

None.

Table of Contents

PART II

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

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

On September 26, 2008, the Company completed a one-for-five reverse stock split. Where appropriate, amounts throughout this document have been adjusted to reflect this reverse stock split.

On March 6, 2009, there were approximately 662 record holders and 10,283,906 shares of the Class A common stock issued and outstanding. In addition, there were 975,225 shares of Class B common stock outstanding at March 6, 2009.

The following table sets forth, for the periods indicated, the high and low sale prices of the Class A common stock as reported by the New York Stock Exchange:

	Class A Common Stock Price	
	High	**Low**
For the year ended December 31, 2008	$29.00	$ 2.25
Fourth quarter	11.82	2.25
Third quarter	15.00	4.05
Second quarter	20.75	7.80
First quarter	29.00	16.30
For the year ended December 31, 2007	$69.90	$14.45
Fourth quarter	48.00	14.45
Third quarter	46.25	37.50
Second quarter	56.25	41.90
First quarter	69.90	54.35

Because the Company s Class A common stock is listed on the New York Stock Exchange, the Company s chief executive officer is required to make, and he has made, an annual certification to the New York Stock Exchange stating that he was not aware of any violation by the Company of the corporate governance listing standards of the New York Stock Exchange. The Company s chief executive officer made his annual certification to that effect to the New York Stock Exchange on May 28, 2008. In addition, the Company has filed, as exhibits to this Annual Report on Form 10-K, the certifications of the Company s principal executive officer and principal financial officer required under Sections 906 and 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of the Company s public disclosure.

Like other companies involved in the financial services industry, the trading price of the Company s Class A common stock has recently experienced a substantial decline. Previously, a listed company would be deemed to be below compliance with the continued listing standards of the New York Stock Exchange if, among other things, the listed company s average closing price was less than $1.00 over a consecutive 30 trading day period or the listed company s average market capitalization was less than $25 million over a consecutive 30 trading day period. As a result of the ongoing turmoil in the economy generally, the New York Stock Exchange has modified its continued listing standards to suspend, until June 30, 2009, the $1.00 minimum price requirement and to lower, until June 30, 2009, the average market capitalization requirement from $25 million to $15 million.

Table of Contents

On March 9, 2009, the Company received email correspondence from the New York Stock Exchange informally informing the Company that, as of the close of trading on March 6, 2009, the New York Stock Exchange had calculated $1.78 as the average closing price of a share of the Company s Class A common stock over the preceding consecutive 30 trading day period and had calculated $20.1 million as the Company s average market capitalization over the prior consecutive 30 trading day period. On March 12, 2009, the closing price of the Company s Class A common stock on the New York Stock Exchange was $0.91. If the $1.00 minimum price requirement is reinstated and the Company s Class A common stock fails to meet that requirement, or if the average market capitalization requirement is not met, then the Company s Class A common stock would be subject to delisting from the New York Stock Exchange.

The Company has paid 62 consecutive declared quarterly payments as of December 31, 2008. In February 2009, the Company elected to exercise its right to defer payments of interest on its trust preferred junior subordinated debt. The Company is permitted to defer quarterly interest payments for up to 20 consecutive quarters. During the deferral period, the Company will not pay dividends to its common shareholders. The Company can end the deferral period at any time. The availability of funds for dividend payments depends upon BankAtlantic s ability to pay dividends to the Company. Current regulations applicable to the payment of cash dividends by savings institutions impose limits on capital distributions based on an institution s regulatory capital levels, retained net income and net income. See Risk Factors BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits and Regulation and Supervision Limitation on Capital Distributions. The Company does not expect to receive dividend payments from BankAtlantic due to BankAtlantic s recent net losses.

The cash dividends paid by the Company were as follows:

	Cash Dividends Per Share of Class B Common Stock	Cash Dividends Per Share of Class A Common Stock
Fiscal year ended December 31, 2008	$ 0.0750	$ 0.0750
Fourth quarter	0.0000	0.0000
Third quarter	0.0250	0.0250
Second quarter	0.0250	0.0250
First quarter	0.0250	0.0250
Fiscal year ended December 31, 2007	$ 0.6410	$ 0.6410
Fourth quarter	0.0250	0.0250
Third quarter	0.2060	0.2060
Second quarter	0.2050	0.2050
First quarter	0.2050	0.2050

Table of Contents

The following table lists all securities authorized for issuance and outstanding under the Company s equity compensation plans at December 31, 2008:

Plan category	**Number of securities to be issued upon exercise of outstanding options**	**Weighted-average exercise price of outstanding options**	**Number of securities remaining available for future issuance under equity compensation plans excluding outstanding options**
Equity compensation plans approved by security Holders	889,895	$ 53.68	704,726
Equity compensation plans not approved by security Holders	5,723(1)	24.46	
Total	895,618	$ 53.09	704,726

(1) During 1999, non-qualifying options for 151 shares of Class A common stock were granted to each employee of BankAtlantic, other than executive officers, under the BankAtlantic Bancorp 1999 non-qualifying stock option plan. The options were granted with exercise prices equal to the fair value on the

grant date with a ten year term. All outstanding options under the BankAtlantic Bancorp 1999 non-qualifying stock option plan were vested as of December 31, 2004.

Purchases of equity securities by the issuer and affiliated purchasers

BFC has indicated that during 2008, it purchased in the open market 723,848 shares of the Company s Class A common stock at an average price of $5.39 per share.

Table of Contents

Shareholder Return Performance Graph

Set forth below is a graph comparing the cumulative total returns (assuming reinvestment of dividends) for the Class A common stock, the Standard and Poor s 500 Stock Index and NASDAQ Bank Stocks and assumes $100 is invested on December 31, 2003.

	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Standard and Poor s 500 Stock Index	100.00	110.88	116.33	134.70	142.10	89.53
SNL Southeast Thrift	100.00	118.21	107.57	126.43	54.44	31.00
BankAtlantic Bancorp, Inc.	100.00	142.32	101.01	100.75	30.35	8.64

Table of Contents

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands except share and per share data)	For the Years Ended December 31, 2008	2007	2006	2005	2004
Income Statement					
Total interest income	$ 314,516	371,633	367,177	345,894	249,204
Total interest expense	140,685	192,857	167,057	141,909	86,798
Net interest income	173,831	178,776	200,120	203,985	162,406
Provision for (recovery from) loan losses	159,801	70,842	8,574	(6,615)	(5,109)
Securities activities, net	2,039	8,412	9,813	847	3,730
Litigation settlement					22,840
Other non-interest income	135,525	143,420	132,803	101,452	86,415
Restructuring charges, impairments, exit activities and debt redemptions	59,551	20,890	1,466	3,706	257
Other non-interest expense	278,798	296,460	298,720	243,264	198,736
(Loss) income from continuing operations before income taxes	(186,755)	(57,584)	33,976	65,929	81,507
Provision (benefit) for income taxes (7)	32,489	(27,572)	7,097	23,403	28,222
(Loss) income from continuing operations	(219,244)	(30,012)	26,879	42,526	53,285
Discontinued operations, net of tax (5)	16,605	7,812	(11,492)	16,656	17,483
Net (loss) income	$(202,639)	(22,200)	15,387	59,182	70,768
Performance ratios					
Return on average assets (1)	(3.50)	(0.47)	0.42	0.64	1.01%
Return on average equity (1)	(51.03)	(5.91)	5.12	8.42	11.98
Average equity to average assets	6.86	7.91	8.19	7.65	8.40
Dividend payout ratio (2)	(0.38)	(24.79)	36.01	20.83	15.25

	For the Years Ended December 31,				
(In thousands except share and per share data)	**2008**	**2007**	**2006**	**2005**	**2004**
Diluted earnings per share					
Diluted (loss) earnings from continuing operations	$(19.53)	(2.58)	2.15	3.37	4.23
Diluted earnings (loss) per share from discontinued operations (5)	1.48	0.67	(0.92)	1.32	1.38
Diluted (loss) earnings per share	$(18.05)	(1.91)	1.23	4.69	5.61

Table of Contents

	For the Years Ended December 31,				
(In thousands except share and per share data)	**2008**	**2007**	**2006**	**2005**	**2004**
Per common share data					
Cash dividends declared per common share Class A	$0.075	0.64	0.79	0.73	0.68
Cash dividends declared per common share Class B	0.075	0.64	0.79	0.73	0.68
Book value per share (3)	21.72	40.96	43.01	42.49	39.05
Tangible book value per share (3)	19.38	34.19	36.17	35.49	31.81

39

Table of Contents

	As of December 31,				
(In thousands except share and per share data)	**2008**	**2007**	**2006**	**2005**	**2004**
Balance Sheet (at year end)					
Loans, net	$4,326,651	4,524,188	4,595,920	4,624,772	4,599,048
Securities	948,592	1,169,673	1,059,111	1,042,217	1,070,691
Total assets	5,814,557	6,378,817	6,495,662	6,471,411	6,356,777
Deposits	3,926,368	3,953,405	3,867,036	3,752,676	3,457,202
Securities sold under agreements to repurchase and other short term borrowings	284,423	167,240	133,958	255,501	401,643
Other borrowings (4)	1,284,087	1,717,893	1,810,247	1,724,160	1,845,504
Stockholders equity	243,968	459,321	524,982	516,336	469,265
Asset quality ratios for BankAtlantic					
Non-performing assets, net of reserves, as a percent of total loans, tax certificates and repossessed assets	6.55	4.10	0.55	0.17	0.19
Loan loss allowance as a percent of non-performing loans (6)	47.76	52.65	982.89	605.68	582.18
Loan loss allowance as a percent of total loans	3.07	2.04	0.94	0.88	1.00
Capital ratios for BankAtlantic:					
Total risk based capital	11.63	11.63	12.08	11.50	10.80
Tier I risk based capital	9.80	9.85	10.50	10.02	9.19
Leverage	6.80	6.94	7.55	7.42	6.83

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

consolidated equity (denominator) during the respective year. Income from continuing operations excludes the income from Ryan Beck Holdings, Inc. for all periods presented. While income from continuing operations (numerator) excludes income from these discontinued operations, average consolidated assets includes the assets of the discontinued operations.

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

3. The denominator of book value and tangible book value per share was computed by combining the number of Class A and Class B shares outstanding at year end for all periods.

4. Other borrowings consist of FHLB advances, subordinated debentures, notes, bonds payable, secured borrowings, and junior subordinated debentures. Secured borrowings were recognized on loan participation

agreements that constituted a legal sale of a portion of the loan but that were not qualified to be accounted for as a loan sale.

5. Discontinued operations include the earnings of Ryan Beck for each of the years in the four year period ending December 31, 2007.

6. During the year ended December 31, 2008 and 2007, the Company wrote-down $62.3 million and $11.9 million, respectively, of non-performing loans. The allowance for loan losses plus non-performing loan write-downs as a percent of non-performing loans plus non-performing loan write-downs was 58.46% and 55.59% at December 31, 2008 and 2007, respectively.

7. During the year ended December 31, 2008, the Company recorded a deferred tax valuation allowance for its entire net deferred tax asset.

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

Introduction

BankAtlantic Bancorp, Inc. is a Florida-based financial services holding company offering a full range of products and services through BankAtlantic, our wholly-owned banking subsidiary. As of December 31, 2008, we had total consolidated assets of approximately $5.8 billion, deposits of approximately $4.0 billion and shareholders equity of approximately $244 million. We operate through two primary business segments: BankAtlantic and the Parent Company.

On February 28, 2007, the Company completed the sale to Stifel Financial Corp. (Stifel) of Ryan Beck Holdings, Inc. (Ryan Beck), a subsidiary engaged in retail and institutional brokerage and investment banking. As a consequence of the sale of Ryan Beck to Stifel, the results of operations of Ryan Beck are presented as Discontinued Operations in the Company s Consolidated Financial Statements for the years ended December 31, 2007 and 2006.

Consolidated Results of Operations

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

	For the Years Ended December 31,		
	2008	2007	2006
BankAtlantic	$(166,144)	(19,440)	36,322
Parent Co.	(53,100)	(10,572)	(9,443)
Net (loss) income	$(219,244)	(30,012)	26,879

The significant decline in BankAtlantic s performance during the year ended December 31, 2008 compared to the same 2007 period primarily resulted from a $48.3 million goodwill impairment charge, the establishment of a $66.9 million deferred tax valuation allowance, a $64.5 million increase in the provision for loan losses and a decline in non-interest income. These items were partially offset by lower non-interest expenses excluding the goodwill impairment. The goodwill in our community banking and commercial lending business units was determined to be impaired primarily due to the on-going downward trends in the financial services industry affecting the Company s market capitalization and the continued decline in the credit quality of BankAtlantic s loan portfolio. Based on net losses in recent years and the uncertainty in the current adverse economic environment, management considered it prudent to establish a deferred tax valuation allowance on its entire net deferred tax asset. BankAtlantic would recognize a benefit for the reversal of its deferred tax asset valuation allowance if BankAtlantic generates sufficient taxable income in the future to utilize the tax benefit related to the net deferred tax assets or as tax laws may otherwise allow. The substantial increase in BankAtlantic s provision for loan losses for 2008 compared to 2007 reflects net charge-offs for 2008 of $97.4 million compared to $20.4 million for 2007 and a $31.6 million increase in the allowance for loan losses during 2008. The charge-offs and loan reserve increases were primarily related to commercial real estate and home equity loans. These categories of loans have been highly susceptible to declining real estate values in Florida where the collateral for the loans are located. The decline in BankAtlantic s non-interest income was primarily due to lower net assessments of overdraft fees. BankAtlantic non-interest expenses, excluding the goodwill impairment charge, declined by $31.6 million. During 2008, in response to an adverse economic conditions, we slowed BankAtlantic s store expansion program, consolidated certain back-office facilities, sold five central Florida stores, renegotiated vendor contracts, continued staff reductions, out-sourced certain back-office functions and initiated targeted other expense reduction programs.

The significant decline in BankAtlantic s earnings during 2007 reflects $70.8 million of provision for loan losses and $20.9 million of restructuring charges and long-lived asset impairments. The allowance for loan losses during 2007 was significantly increased in response to the rapid deterioration in the Florida residential real estate market and the associated rapid and substantial increase in non-performing loans and classified assets. Restructuring charges in 2007 related to management s decision to slow BankAtlantic s retail network expansion, consolidate its call center operations, and sell properties or terminate operating leases acquired for store expansion. Other factors contributing to the 2007 loss were net interest margin compression and costs associated with opening new stores. BankAtlantic s 2007 net interest income declined by $20.1 million from 2006 reflecting an increase in its cost of funds due to growth in higher cost deposit products and lower yields on earning assets due to a change in the mix of loan products and increased nonperforming assets. BankAtlantic opened 15 new stores during 2007 and 13 new stores during 2006. The opening and operating costs of these new stores exceeded revenues of these stores during the 2007 period, which had a negative impact on earnings. BankAtlantic s results during 2007 compared to the same 2006 period were favorably impacted by lower advertising costs of $15.0 million and higher retail banking service fees of $13.6 million. During the fourth quarter of 2006, management decided to reduce advertising expenditures in response to reduced deposit growth. The additional service fees primarily resulted from higher overdraft, interchange and surcharge income from increased volume of customer transactions.

The increase in the Parent Company segment loss during 2008 compared to 2007 reflects a provision for loan losses of $24.4 million associated with non-performing loans which were transferred from BankAtlantic to the Parent Company s asset workout subsidiary in March 2008 as well as the establishment of a $20.9 million deferred tax valuation allowance. The Parent Company had no provision for loan losses during the comparable 2007 period as it held no loans during that period. Additionally, gains from securities activities declined from $6.1 million during 2007 to a loss of $0.4 million during 2008 as the Parent Company liquidated its managed fund investment portfolio and sold its entire investment in Stifel securities acquired by it in connection with the 2007 sale of Ryan Beck. Parent Company operating expenses were higher by $4.5 million during 2008 compared to 2007. The increase reflects property management costs associated with non-performing loans and an increase in professional fees in 2008 compared to 2007.

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

During 2008, the Parent Company recognized in discontinued operations $16.6 million of additional proceeds from the Ryan Beck contingent earn-out payments under the Ryan Beck merger agreement with Stifel. Included in discontinued operations during 2007 relating to the Ryan Beck segment was income of $7.8 million compared to a loss of $11.5 million during 2006. Ryan Beck s 2007 income reflects a $16.4 million gain from the sale of Ryan Beck to Stifel partially offset by an $8.6 million loss from operations during the two months ended February 28, 2007, the closing date of the sale to Stifel. Ryan Beck s 2006 loss resulted from declining retail brokerage revenues and a significant slow-down in investment banking activities.

BankAtlantic Results of Operations

Summary

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

In April 2002, BankAtlantic launched its *Florida s Most Convenient Bank* initiative which resulted in significant demand deposit, NOW checking and savings account growth (we refer to these accounts as core deposit accounts). Since inception of this campaign, BankAtlantic has increased core deposit balances 284% from $600 million at December 31, 2001 to approximately $2.2 billion at December 31, 2008. These core deposits represented 55% of BankAtlantic s total deposits at December 31, 2008, compared to 26% of total deposits at December 31, 2001.

In 2004, BankAtlantic announced its de novo store expansion strategy and had opened 32 stores as of December 31, 2008 in connection with this strategy. BankAtlantic s non-interest expenses substantially increased as a result of this strategy reflecting the hiring of additional personnel, increased marketing to support new stores, increased leasing and operating costs for the new stores and expenditures for back-office technologies to support a larger institution.

During the fourth quarter of 2005, the growth in core deposits slowed reflecting rising short-term interest rates and increased competition among financial institutions. In response to these market conditions, BankAtlantic significantly increased its marketing expenditures and continued its new store expansion program in an effort to sustain core deposit growth. The number of new core deposit accounts opened increased from 226,000 during 2005 to 270,000 during 2006, while core deposit balances grew to $2.2 billion at December 31, 2006 from $2.1 billion at December 31, 2005. In response to adverse economic conditions and the slowed deposit growth, BankAtlantic significantly reduced its marketing expenditures beginning during the fourth quarter of 2006 as part of an overall effort to reduce its non-interest expenses.

During the latter half of 2007, the real estate markets deteriorated rapidly throughout the United States, and particularly in Florida where BankAtlantic s commercial and consumer real estate loans are concentrated. In response to these market conditions, BankAtlantic established a significant allowance for loan losses for commercial loans collateralized by residential real estate property and to a lesser extent home equity consumer loans.

During the fourth quarter of 2007, management decided to slow BankAtlantic s retail network expansion and consolidate certain back-office facilities in order to reduce the growth of non-interest expenses.

As economic conditions deteriorated in the latter half of 2007 and during 2008, real estate property values continued to decline. The adverse economic and real estate market conditions severely impacted the credit quality of BankAtlantic s loan portfolio. In March 2008, the Parent Company purchased $101.5 million of non-performing loans from BankAtlantic and during the year contributed $65 million of capital to BankAtlantic. During the fourth quarter of 2008, financial and credit markets deteriorated rapidly, investor confidence in financial institutions was significantly and adversely affected and the market capitalization of BankAtlantic Bancorp s Class A common stock declined materially. As BankAtlantic s non-performing loans escalated, additional loan loss reserves were established, impairments of long-lived assets were recognized and earnings were adversely affected. As a consequence of the substantial losses during 2007 and 2008, the deterioration in the price of the Company s Class A common stock and the unprecedented economic and market uncertainty, BankAtlantic recognized a $48.3 million non-cash goodwill impairment charge and established a $66.9 million non-cash deferred tax valuation allowance.

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

	For the Years Ended Ended December 31, 2008	2007	2006	Change 2008 vs 2007	Change 2007 vs 2006
Net interest income	$ 193,648	199,510	219,605	(5,862)	(20,095)
Provision for loan losses	(135,383)	(70,842)	(8,574)	(64,541)	(62,268)
Net income after provision for loan losses	58,265	128,668	211,031	(70,403)	(82,363)
Non-interest income	137,308	144,412	131,844	(7,104)	12,568
Non-interest expense	(330,623)	(313,898)	(293,448)	(16,725)	(20,450)
BankAtlantic (loss) income before income taxes	(135,050)	(40,818)	49,427	(94,232)	(90,245)
(Provision)/benefit for income taxes	(31,094)	21,378	(13,105)	(52,472)	34,483
BankAtlantic net (loss) contribution	$(166,144)	(19,440)	36,322	(146,704)	(55,762)

Table of Contents

BankAtlantic s Net Interest Income

The following table summarizes net interest income:

	For the Years Ended								
	December 31, 2008			December 31, 2007			December 31, 2006		
(Dollars are in thousands)	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**	**Average Balance**	**Revenue/ Expense**	**Yield/ Rate**
Interest earning assets									
Loans: (a)									
Residential real estate	$2,053,645	111,691	5.44%	$2,209,832	120,768	5.47%	$2,099,664	109,103	5.20%
Commercial real estate	1,238,307	69,642	5.62	1,367,095	108,931	7.97	1,530,282	128,420	8.39
Consumer	743,863	33,950	4.56	650,764	47,625	7.32	558,769	41,997	7.52
Commercial business	132,565	9,516	7.18	142,455	12,720	8.93	140,465	12,452	8.86
Small business	320,853	22,162	6.91	298,774	23,954	8.02	259,816	20,988	8.08
Total loans	4,489,233	246,961	5.50	4,668,920	313,998	6.73	4,588,996	312,960	6.82
Tax exempt securities (c)				328,583	19,272	5.87	396,539	23,162	5.84
Taxable investment securities (b)	1,078,189	65,570	6.08	689,263	42,849	6.22	618,913	36,912	5.96
Federal funds sold	44,031	754	1.71	3,638	195	5.36	1,824	22	1.21
Total investment securities	1,122,220	66,324	5.91	1,021,484	62,316	6.10	1,017,276	60,096	5.91
Total interest earning assets	5,611,453	313,285	5.58%	5,690,404	376,314	6.61%	5,606,272	373,056	6.65%
Total non-interest earning assets	503,028			510,173			448,296		
Total assets	**$6,114,481**			**$6,200,577**			**$6,054,568**		
Interest bearing liabilities									
Deposits:									
Savings	$ 503,464	4,994	0.99%	$ 584,542	12,559	2.15%	$ 369,504	2,936	0.79%
NOW, money funds and checking	1,506,479	17,784	1.18	1,450,960	26,031	1.79	1,502,058	20,413	1.36
Certificate accounts	1,088,170	41,485	3.81	992,043	45,886	4.63	868,777	35,610	4.10
Total interest bearing deposits	3,098,113	64,263	2.07	3,027,545	84,476	2.79	2,740,339	58,959	2.15
Securities sold under agreements to repurchase, federal funds and other short term borrowings	141,654	2,699	1.91	194,222	9,829	5.06	304,635	15,309	5.03
Advances from FHLB	1,417,718	50,942	3.59	1,379,106	73,256	5.31	1,265,772	66,492	5.25
Subordinated debentures and notes payable	26,004	1,733	6.66	28,946	2,498	8.63	66,287	5,513	8.32
Total interest bearing liabilities	4,683,489	119,637	2.55	4,629,819	170,059	3.67	4,377,033	146,273	3.34
Non-interest bearing liabilities									
Demand deposit and escrow accounts	828,825			946,356			1,056,254		

Other liabilities	50,584			55,683			61,392		
Total non-interest bearing liabilities	879,409			1,002,039			1,117,646		
Stockholders equity	551,583			568,719			559,889		
Total liabilities and stockholders equity	**$6,114,481**			**$6,200,577**			**$6,054,568**		
Net interest income/net interest spread		193,648	3.03%		206,255	2.94%		226,683	3.31%
Tax equivalent adjustment					(6,745)			(8,107)	
Capitalized interest from real estate operations								929	
Net interest income		193,648			199,510			219,605	

Table of Contents

	For the Years Ended								
	December 31, 2008			December 31, 2007			December 31, 2006		
(Dollars are in thousands)	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance	Revenue/ Expense	Yield/ Rate
Margin									
Interest income/average interest earning assets			5.58%			6.61%			6.65%
Interest expense/average interest earning assets			2.13			2.99			2.61
Tax equivalent net interest margin			3.45%			3.62%			4.04%

(a) Includes non-accruing loans

(b) Average balances were based on amortized cost.

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

For the Year Ended December 31, 2008 Compared to the Same 2007 Period

The decrease in tax equivalent net interest income primarily resulted from a 17 basis point decline in the net interest margin and secondarily from a shift in the deposit mix resulting in lower non-interest bearing liabilities balances.

The decline in the tax equivalent net interest margin primarily resulted from a decline in average non-interest bearing demand deposit balances partially offset by an improvement in the tax equivalent net interest spread. The increase in the tax equivalent net interest spread primarily resulted from rates on interest-bearing liabilities adjusting to the decline in short-term interest rates faster than interest-earning asset yields. The majority of our loans adjust to LIBOR or prime interest rates indices. The average prime interest rate declined from 8.03% during the year ended December 31, 2007 to 5.08% during the 2008 year and the average three-month LIBOR rate declined from 5.04% during the 2007 year to 2.92% during the 2008 year. The majority of interest-bearing liabilities adjust to current market rates faster than a significant portion of our assets, which includes residential loans and mortgage-backed securities that only adjust periodically to current market rates. The additional net interest income associated with the improvement of the net interest spread was partially offset by average interest bearing liabilities increasing while average interest-earning assets declined. Average interest earning assets were $79.0 million lower, and while overall average interest-bearing liabilities were up $53.7 million, non-interest bearing demand deposit accounts were $117.5 million lower. The decline in average non-interest bearing demand deposit accounts reflects the competitive banking environment in Florida and the migration of demand deposit accounts to interest-bearing NOW accounts.

Interest income on earning assets declined $63.0 million during 2008 as compared to 2007. The decline was primarily due to the impact that lower interest rates during 2008 had on our average yields for consumer, commercial and small business loans. Residential loan yields during 2008 remained at 2007 levels as the majority of our residential loans do not adjust annually and prepayment speeds slowed, in part we believe, due to borrowers inability to refinance existing loans at the current lower interest rates. The decline in taxable securities yields mainly resulted from the liquidation of our tax exempt securities portfolio during the fourth quarter of 2007 and suspension by the FHLB of its stock dividend during the third quarter of 2008.

In response to the slowing economy and declining real estate market, we have slowed the origination of commercial real estate loans and the purchase of residential loans. As a consequence, average balances in our residential and commercial real estate loan portfolios declined from $3.6 billion during 2007 to $3.3 billion during 2008. These declines in loan balances were partially offset by an increase in our taxable securities, small business loan and consumer home equity loan average balances. Aggregate average balances in our consumer home equity and small business loan portfolios increased due primarily to fundings on existing lines of credit for home equity loans and from the origination of small business loans. In response to the current economic environment, BankAtlantic continues to adhere to stringent underwriting criteria and anticipates lower growth in subsequent periods. The higher average taxable securities balances reflect a $57.5 million increase in tax certificate average balances as 2008 tax certificate acquisitions were higher than 2007 acquisitions.

The decline in deposit rates primarily resulted from the lower interest rate environment during 2008 compared to 2007. The decline in interest rates generally was offset in part by a shift in deposit mix from demand deposit accounts to NOW accounts and from savings to certificate accounts. The decline in savings account average balances reflects outflows of high yield savings accounts as certain competitors offered higher interest rates. The migration from demand deposit accounts to NOW accounts primarily resulted from a high yield checking account that we promoted during 2008. The increase in certificates accounts reflects higher average brokered deposit account balances as well as high yield certificate account promotions during 2008. Brokered deposits increased from $14.7 million at December 31, 2007 to $239.9 million at December 31, 2008.

Rates on wholesale borrowings during 2008 were significantly lower than 2007 reflecting a significant decline in the federal funds rates during 2008. The average federal funds rate declined from 5.04% during 2007 to 2.09% during 2008. Additionally, we were able to borrow at historically low interest rates due to programs implemented by the Treasury to stimulate the economy through increased fundings to financial institutions.

In order to improve the net interest margin and lower borrowing costs in subsequent periods, BankAtlantic prepaid $692 million of FHLB advances during the fourth quarter of 2008. BankAtlantic funded the advance repayments with short term borrowings that were at significantly lower interest rates than the repaid advances. Management believes the current historically low interest rates may have a favorable impact on BankAtlantic s net interest margin; however, increased competition among financial institutions in our markets and general unfavorable economic conditions, among other factors, could offset any declines in wholesale borrowing rates.

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

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

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

The increase in deposit rates primarily resulted from competition in our markets for deposits which affected both our deposit pricing and deposit mix. Our deposit mix shifted unfavorably from lower cost demand and checking accounts to higher rate deposit products, and we experienced a gradual increase in certificate of deposit and money market rates resulting from the increasingly competitive markets.

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

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

BankAtlantic s average interest earning assets increased primarily as a result of higher average loan balances. The increase in average loan balances was due to purchases of residential loans and the origination of home equity and small business loans to retail banking customers. These increases in average loan balances were partially offset by declines in average commercial real estate loan balances primarily resulting from lower loan originations due to the down-turn in the Florida real estate market.

Table of Contents

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

	Year Ended December 31, 2008 Compared to Year Ended December 31, 2007			Year Ended December 31, 2007 Compared to Year Ended December 31, 2006		
	Volume (a)	**Rate**	**Total**	**Volume (a)**	**Rate**	**Total**
Increase (decrease) due to:						
Loans	$ (9,885)	(57,152)	(67,037)	5,375	(4,337)	1,038
Tax exempt securities		(19,272)	(19,272)	(3,986)	96	(3,890)
Taxable investment securities (b)	23,652	(931)	22,721	4,373	1,564	5,937
Federal funds sold	692	(133)	559	97	76	173
Total earning assets	14,459	(77,488)	(63,029)	5,859	(2,601)	3,258
Deposits:						
Savings	(804)	(6,761)	(7,565)	4,620	5,003	9,623
NOW, money funds, and checking	655	(8,902)	(8,247)	(917)	6,535	5,618
Certificate accounts	3,665	(8,066)	(4,401)	5,702	4,574	10,276
Total deposits	3,516	(23,729)	(20,213)	9,405	16,112	25,517
Securities sold under agreements to repurchase	(1,002)	(6,128)	(7,130)	(5,588)	108	(5,480)
Advances from FHLB	1,387	(23,701)	(22,314)	6,020	744	6,764
Subordinated debentures	(196)	(569)	(765)	(3,222)	207	(3,015)
	189	(30,398)	(30,209)	(2,790)	1,059	(1,731)
Total interest bearing liabilities	3,705	(54,127)	(50,422)	6,615	17,171	23,786

Change in tax equivalent interest income	$10,754	(23,361)	(12,607)	(756)	(19,772)	(20,528)

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

(b) Average balances were based on amortized cost.

The decline in tax equivalent net interest income during 2008 was largely due to yields on interest earning assets declining faster than interest rates on interest-bearing liabilities. The lower yields on total earning assets reduced interest income by $77.5 million while declines in interest rates on total interest bearing liabilities reduced interest expense by $54.1 million. As discussed above, the lower yields on interest earning assets reflect the effect on our loan portfolio interest income of the significant decline during 2008 of LIBOR and prime interest rate indices. The decline in federal funds rates and the programs implemented by the Treasury to promote lending by financial institutions significantly lowered wholesale borrowing interest rates. However, our deposits interest rate declines were less than our earning asset yield declines as interest rates on our low cost deposits are not as sensitive to interest rate changes as our loan portfolio rates and competition from other financial institutions resulted in only a gradual decline in certificate account interest rates.

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

BankAtlantic s Allowance for Loan Losses

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

	For the Years Ended December 31,				
	2008	**2007**	**2006**	**2005**	**2004**
Balance, beginning of period					
Charge-offs:	$ 94,020	43,602	41,192	46,010	45,595
Commercial business loans					
Commercial real estate loans	(60,057)	(12,562)	(7,000)		(645)
Small business	(4,886)	(2,554)	(951)	(764)	(238)
Consumer loans	(28,942)	(7,065)	(681)	(259)	(585)
Residential real estate loans	(4,816)	(461)	(239)	(453)	(582)
Continuing loan products	(98,701)	(22,642)	(8,871)	(1,476)	(2,050)
Discontinued loan products			(34)	(1,218)	(2,026)
Total charge-offs Recoveries:	(98,701)	(22,642)	(8,905)	(2,694)	(4,076)
Commercial business loans	7	96	291	18	536
Commercial real estate loans		304	419	1,471	4,052
Small business	428	417	566	899	418
Consumer loans	365	578	536	401	370

Residential real estate loans	397	15	348	65	486
Continuing loan products	1,197	1,410	2,160	2,854	5,862

Table of Contents

	For the Years Ended December 31,				
	2008	2007	2006	2005	2004
Discontinued loan products	113	808	581	1,637	3,738
Total recoveries	1,310	2,218	2,741	4,491	9,600
Net (charge-offs) recoveries	(97,391)	(20,424)	(6,164)	1,797	5,524
Provision for (recovery from) loan losses	135,383	70,842	8,574	(6,615)	(5,109)
Transfer specific reserves to Parent Company	(6,440)				
Balance, end of period	$125,572	94,020	43,602	41,192	46,010

The significant increase in the provision for loan losses for 2007 and 2008 compared to the prior periods resulted primarily from the rapid decline in real estate values nationally and in Florida, the substantial downturn in the homebuilding industry and the deteriorating economic environment during the end of 2007 and throughout 2008. BankAtlantic has a high concentration of commercial borrowers in the homebuilding industry and the majority of its residential and consumer home equity loans are to retail customers. The ability of these retail customers to repay their loans is adversely affected by rising unemployment rates. These declines in the value of real estate, which initially involved primarily residential real estate but is now being experienced in the commercial non-residential real estate markets, have exacerbated our credit losses as the underlying collateral values of our loans have continued to decline throughout 2007 and 2008. BankAtlantic s commercial borrowers are experiencing difficulties selling real estate inventory or maintaining current cash flow levels on rental real estate properties. Also, BankAtlantic s home equity and residential loan customers are facing challenges when attempting to sell or refinance their homes. In response to these trends, we have slowed down the purchase of residential loans and tightened consumer home equity loan underwriting requirements for new loans and froze certain borrowers home equity loan commitments where borrowers current credit scores were significantly lower than at the date of loan origination or where current collateral values were substantially lower than at loan origination. Additionally, our non-performing loans and loan delinquencies trends have steadily worsened throughout 2008 resulting in higher allowances for loan losses for all loan products. We believe that if real estate market conditions and the economy in general do not stabilize in Florida and nationally, we would expect an increase in loan delinquencies and non-accrual loan balances as well as additional provisions for loan losses in future periods.

The increase in provision for loan losses during 2008 compared to 2007 was primarily the result of unfavorable trends in our commercial residential development, consumer home equity and small business loan portfolios as well as significant charge-offs in our commercial real estate and consumer home equity loan portfolios. As a consequence, we increased the allowance for loan losses for all loan products during 2008. The majority of the commercial loan charge-offs were associated with commercial residential development loans; however, during the latter half of 2008 we began incurring charge-offs and establishing specific reserves on commercial loans collateralized by office buildings and retail shopping centers. Also during 2008 we incurred substantial charge-offs in our home equity loan portfolio as the current economic recession has eroded our borrowers ability to service the loans and the collateral values have continued to decline throughout 2008.

The increase in the provision for loan losses during 2007 compared to 2006 primarily resulted from the rapid deterioration in the Florida real estate market and the associated rapid increase in non-performing loans. The $70.8 million provision for loan losses for the year ended December 31, 2007 includes certain specific reserves associated with commercial residential development loans placed on non-accrual during the year ended December 31, 2007. These loans were all collateral dependent and the specific reserve was established by estimating the fair value of the collateral less cost to sell. The remaining increase in the provision for loan losses during 2007 primarily resulted from an increase in the allowance for loan losses associated with the commercial residential development loan portfolio and to a lesser extent the consumer home equity loan portfolio.

Table of Contents

During prior periods we discontinued the origination of syndication, lease financings and indirect consumer loans and made major modifications to the underwriting process for small business loans (collectively, discontinued loan products .) We experienced net recoveries from discontinued loan products for each of the years in the five year period ended December 31, 2008. These discontinued loan products resulted in significant losses in periods prior to 2003. As a result of this experience we changed our credit policies to focus our loan production on collateral based loans.

The table below presents the allocation of the allowance for loan losses by various loan classifications (Allowance for Loan Losses), the percent of allowance to each loan category (ALL to gross loans percent) and the percentage of loans in each category to gross loans (Loans to gross loans percent). The allowance shown in the table should not be interpreted as an indication that charge-offs in future periods will occur in these amounts or percentages or that the allowance accurately reflects future charge-off amounts or trends (dollars in thousands):

	December 31, 2008			December 31, 2007			December 31, 2006		
	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans
Commercial business	$ 3,173	2.22%	3.15%	2,668	2.04%	2.65%	2,359	1.50%	3.07%
Commercial real estate	75,850	5.44	30.69	72,948	4.51	32.78	24,632	1.28	37.54
Small business	8,133	2.49	7.20	4,576	1.44	6.43	4,495	1.58	5.57
Residential real estate	6,034	0.31	42.56	4,177	0.19	43.82	4,242	0.20	42.33
Consumer direct	32,382	4.35	16.40	9,651	1.37	14.32	7,874	1.34	11.49
Discontinued loan products									
Total assigned	125,572			94,020			43,602		
Unassigned		N/A	N/A		N/A	N/A		N/A	N/A
	$ 125,572	2.76	100.00	94,020	1.90	100.00	43,602	0.85	100.00

	December 31, 2005			December 31, 2004		
	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans

Commercial business	$ 1,988	2.30%	1.63%	2,507	2.94%	1.59%
Commercial real estate	17,984	0.75	45.20	23,345	0.92	47.28
Small business	2,640	1.12	4.43	2,403	1.26	3.55
Residential real estate	2,592	0.13	38.53	2,565	0.12	38.57

	December 31, 2005			December 31, 2004		
	ALL by category	ALL to gross loans in each category	Loans by category to gross loans	ALL by category	ALL to gross loans in each category	Loans by category to gross loans
Consumer direct	6,354	1.17	10.19	4,281	0.90	8.86
Discontinued loan products	156	12.92	0.02	1,431	17.27	0.15
Total assigned	31,714			36,532		
Unassigned	9,478	N/A	N/A	9,478	N/A	N/A
	$ 41,192	0.78	100.00	46,010	0.86	100.00

Commercial real estate loans account for a large portion of the allowance for loan losses for each of the years in the five year period ended December 31, 2008. The commercial real estate loan allowance from December 31, 2004 through December 2005 primarily reflected allowance for loan losses based on increases or decreases in high balance loans. The increase in the allowance for commercial real estate loans during 2006 was associated with a slow-down in the homebuilding industry. The substantial increase in the commercial real estate allowance for loan losses during 2007 and 2008 resulted in large part from a rapid deterioration in the Florida real estate market, generally, and the significant downturn in the residential real estate market. During 2008 and 2007, home sales and median home prices declined significantly on a year-over-year basis in all major metropolitan areas in Florida, with conditions deteriorating rapidly during the fourth quarter of 2008 in response to the overall loss of confidence in the financial markets. The housing industry is experiencing its worst downturn in 17 years and market conditions in the housing industry have continued to worsen throughout 2008 and into 2009 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, the allowance for loan losses was also increased to reflect higher estimated inherit losses in our commercial non-residential loan portfolio as the current economic recession and credit market instability have contributed to higher non-performing loans in this loan product. These loans have performed better during 2007 and 2008 than commercial residential development loans as the underlying collateral associated with these loans are generally income producing. However, if economic conditions do not improve, there is no assurance that we will not experience delinquencies and charge-offs in our commercial non-residential loan portfolio comparable to the levels experienced during 2007 and 2008 in our commercial residential development loan portfolios.

There are three categories of loans in our commercial residential development loan portfolio that have resulted in the majority of the increase in our commercial real estate allowance for loan losses. The loan balance in these categories aggregated $303.7 at December 31, 2008. These categories are as follows:

The builder land bank loan category consists of 7 loans and aggregates $62.4 million at December 31, 2008. 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. Four loans in this category totaling $40.4 million were on non-accrual at December 31, 2008.

The land acquisition and development loan category consists of 25 loans and aggregates $165.8 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. Three loans in this category totaling $33.2 million were on non-accrual at December 31, 2008.

The land acquisition, development and construction loan category consists of 14 loans and aggregates $75.5 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. Three loans in this category totaling $18.5 million were on non-accrual at December 31, 2008.

The allowance for consumer loans has increased for each of the years in the five year period ended December 31, 2008. This increase during 2004 through 2006 was largely associated with the growth in outstanding home equity loans throughout the period and the change in policy during 2004 to permit higher loan-to-value ratio loans based on Beacon scores. The significant increase in the consumer loan portfolio allowance for loan losses during 2008 compared to 2007 was primarily due to a significant increase in consumer home equity loan charge-offs, higher non-performing loans and adverse delinquency trends. Residential property values in Florida have significantly declined and the State unemployment rate in Florida has almost doubled from 4.5% at December 31, 2007 to 8.1% at December 31, 2008. The increased unemployment rate has resulted in adverse delinquency trends and declining property values resulted in higher credit losses and an increased allowance for loan losses.

The increase in the allowance for loan losses for consumer loans during 2007 compared to 2006 reflects unfavorable home equity loan delinquency trends, higher non-performing home equity loans and a significant increase in charge-offs during the fourth quarter of 2007.

The allowance for residential loan losses increased during 2006 compared to 2005 and 2004 primarily associated with higher loan balances. During 2007 the allowance was maintained at 2006 levels as the portfolio experienced minimal credit losses and no adverse delinquency trends. During 2008, as property values nationwide plummeted and unemployment rates increased, our residential loan portfolio began experiencing unfavorable delinquency trends and increased charge-offs. As a consequence of these adverse trends the residential allowance for loan losses increased by 44% during 2008 compared to 2007.

The allowance for small business loan losses increased during 2006 compared to 2005 and 2004 primarily associated with higher loan balances. During 2007 the allowance was maintained at 2006 levels as delinquency trends and credit losses remained at 2006 levels. As economic conditions worsened during the latter half of 2008, we began experiencing adverse trends and higher credit losses in our small business loan portfolio. In response to these adverse trends we increased the small business allowance for loan losses by 78% at December 31, 2008 compared to December 31, 2007.

Table of Contents

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

	December 31, 2008	2007	2006	2005	2004
NONPERFORMING ASSETS					
Tax certificates	$ 1,441	2,094	632	388	381
Residential	34,734	8,678	2,629	5,981	5,538
Commercial (2)(3)	161,947	165,818		340	1,067
Small business	4,644	877	244	9	88
Consumer	6,763	3,218	1,563	471	1,210
Total non-accrual assets	**209,529**	**180,685**	**5,068**	**7,189**	**8,284**
Residential real estate owned	2,285	413	617	86	309
Commercial real estate owned	16,500	16,763	21,130	881	383
Small business real estate owned	260				
Consumer		40			
Total repossessed assets	19,045	17,216	21,747	967	692
Total nonperforming assets	$ 228,574	197,901	26,815	8,156	8,976
Total nonperforming assets as a percentage of:					
Total assets	4.00	3.21	0.43	0.13	0.15%
Loans, tax certificates and real estate owned	4.95	4.10	0.55	0.17	0.19%
TOTAL ASSETS	$5,713,690	6,161,962	6,187,122	6,109,330	6,044,988
	$4,614,892	4,823,825	4,903,961	4,830,268	4,771,682

TOTAL LOANS, TAX CERTIFICATES AND NET REAL ESTATE OWNED					
Allowance for loan losses	$ 125,572	94,020	43,602	41,192	46,010
Tax certificates	$ 213,534	188,401	199,090	166,697	170,028
Allowance for tax certificate losses	$ 6,064	3,289	3,699	3,271	3,297

	December 31, 2008	2007	2006	2005	2004
OTHER POTENTIAL PROBLEM LOANS					
Contractually past due 90 days or more (1)	$15,721				
Performing impaired loans			163	193	320
Restructured loans	25,843	2,488		77	24
TOTAL POTENTIAL PROBLEM LOANS	$41,564	2,488	163	270	344

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

(2) $121.9 million of impaired loans had specific reserves of $29.2 million and no additional specific reserves were determined to be required on the remaining impaired loans.

(3) Excluded from the above table as of December 31, 2008 were $79.3 million of residential commercial

loans that were transferred to a work-out subsidiary of the Parent Company in March 2008.

Non-performing assets were substantially higher at December 31, 2008 and 2007 compared to the prior three years. The large increase reflects higher non-accrual assets. The increase in non-performing assets during 2006 compared to 2005 and 2004 resulted from a repossessed commercial real estate property during 2006. The property was further impaired by $7.2 million during 2007.

The increase in non-accrual assets at December 31, 2008 compared to December 2007 primarily resulted from higher non-accrual loan balances for residential, consumer-home equity and small business loans. The increase in residential non-accrual loans reflects the general deterioration in the national economy and the residential real estate market as home prices throughout the country continued to decline and it is taking longer than historical time-frames to foreclose on and sell homes.

During 2008, BankAtlantic experienced higher delinquencies and non-accrual trends for small business loans. Management believes that these trends reflect the deteriorating economic environment generally and in Florida in particular.

Commercial non-accrual loans at December 31, 2008 remained at December 31, 2007 levels as BankAtlantic moved $203.6 million of loans to non-accrual, offset by $101.5 million of non-accrual loans transferred to a work-out subsidiary of the Parent Company as well as charge-offs and loan repayments during 2008. These loans were mainly commercial residential development loans identified in the high exposure loan categories.

The substantial increase in non-accrual assets at December 31, 2007 compared to the three prior year periods primarily resulted from placing $151.0 million of commercial residential development loans on non-accrual during the year ended December 31, 2007. Consumer home equity and residential non-accrual loan balances also increased compared to prior periods.

During the year ended December 31, 2008 and 2007, BankAtlantic modified the terms of certain commercial loans in a troubled debt restructuring based on the financial difficulties of the borrowers. The original terms were modified to reduce the cash payments in order to lessen the near term cash requirements of the borrowers obligations. While there is no assurance this will be the case, BankAtlantic currently expects to collect all principal and interest on these loans based on the modified loan terms.

As discussed in Item 1A. Risk Factors and elsewhere in this annual report on Form 10-K, in the event of a sustained decline in real estate markets, and residential real estate in particular, and a slowdown in the economy in general, we may experience further deterioration in the credit quality/performance of our loan portfolio. As a consequence, if conditions do not improve, the residential real estate market declines further, or commercial non-residential real estate markets decline, we will experience an increasing amount of non-performing assets.

BankAtlantic s Non- Interest Income

Table of Contents

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

	For the Years Ended December 31, 2008	2007	2006	Change 2008 vs 2007	Change 2007 vs 2006
Service charges on deposits	$ 93,905	102,639	90,472	(8,734)	12,167
Other service charges and fees	28,959	28,950	27,542	9	1,408
Securities activities, net	2,395	2,307	657	88	1,650
Income from unconsolidated subsidiaries	1,509	1,219	33	290	1,186
Gains associated with debt redemption			1,528		(1,528)
(Losses) gains on dispositions of office properties and equipment, net	(213)	(1,121)	1,627	908	(2,748)
Gains on sales of loans	265	494	680	(229)	(186)
Other	10,488	9,924	9,305	564	619
Non-interest income	$137,308	144,412	131,844	(7,104)	12,568

The lower revenue from service charges on deposits during 2008 compared to 2007 was primarily due to lower overdraft fee income. This decline in overdraft fees primarily resulted from lower net overdraft assessments and more stringent criteria for allowing customer overdrafts in response to increasing check losses. Also contributing to reduce fee income was a decline in new deposit account openings resulting, in part, from a management decision to reduce overall marketing and advertising expenses and the competitive deposit gathering environment. BankAtlantic has implemented an overdraft fee increase effective March 1, 2009 to cover increasing costs of processing and collecting overdrafts.

The higher revenue from service charges on deposits for 2007 compared to 2006 primarily resulted from growth in overdraft fee income. Management believes that the increase in overdraft fee income resulted from an increase in the number of deposit accounts, a 7% increase in the amount charged for overdrafts beginning July 2006 and a change in policy during 2006 allowing certain customers to incur debit card overdrafts.

Other service charges and fees during 2008 remained at 2007 levels as higher ATM fees from cruise ships was offset by lower debit card transaction volume. Also, the decline in the number of new deposit account openings during 2008 had the effect of lowering service charge fees. We anticipate that the transaction volume may continue to decline if current economic conditions do not improve or if the number of point-of-sale transactions declines.

The increase in other service charges and fees during 2007 compared to 2006 was primarily due to higher interchange and surcharge income associated with an increased volume of customer transactions. The increase in service card fees during 2007 was partially offset by the elimination of check card annual fees as of January 1, 2007 in response to competitive market conditions. The higher interchange volume reflects a substantial increase in the number of debit cards issued associated with the opening of new accounts.

Securities activities, net during the year ended December 31, 2008 includes $1.0 million of gains from the sales of MasterCard International stock obtained in MasterCard s initial public offering in September 2006. Additionally, BankAtlantic sold $210.4 million of agency securities and realized gains of

56

$0.9 million. The agency securities were sold to increase the average maturities of the investment portfolio in response to changes in the interest rate environment. BankAtlantic also recognized gains of $0.4 million in connection with the execution of covered calls on its agency securities portfolio.

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

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

Income from unconsolidated subsidiaries for 2008 and 2007 represents $1.0 million and $1.6 million, respectively, of equity earnings from joint ventures that manage income producing rental real estate properties and $0.5 million and $0.2 million, respectively, of equity earnings in a joint venture that factors receivables.

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

Loss on the disposition of property and equipment during the year ended December 31, 2008 and 2007 primarily represents the write-off of leasehold improvements associated with the relocation of stores and the consolidation of back-office facilities. Gain on sale of bank facilities during the year ended December 31, 2006 primarily resulted from an exchange of branch facilities with another financial institution. The financial institution had a surplus branch facility from a recent acquisition and BankAtlantic was searching for a suitable branch site in that general location. As consideration for this surplus branch, BankAtlantic exchanged a branch with the financial institution and recorded a $1.8 million gain equal to the appraised value of the branch transferred less its carrying value.

Gains on loan sales during each of the years in the three year period ended December 31, 2008 were primarily from the sale of residential loans originated with the assistance of independent mortgage brokers and the sale of Community Reinvestment Act qualified loans to other financial institutions.

The increase in other non-interest income for 2008 compared to 2007 was primarily the result of $1.4 million of higher commissions earned on the sale of investment products to our customers. This increase in other non-interest income was partially offset by a $1.1 million decline in fee income from the outsourcing of our check clearing operation as historically low short-term interest rates reduced our earnings credit on outstanding checks.

The decline in other non-interest income for the year ended December 31, 2007 compared to the same 2006 period reflects a $0.4 million deposit forfeited during 2006 by a potential buyer of a portion of BankAtlantic s old corporate headquarters property. Additionally, corporate overhead fees received from BFC were $0.2 million lower during 2007 compared to 2006.

BankAtlantic s Non- Interest Expense

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

Table of Contents

	For the Years Ended December 31, 2008	2007	2006	Change 2008 vs 2007	Change 2007 vs 2006
Employee compensation and benefits	$125,851	148,758	146,099	(22,907)	2,659
Occupancy and equipment	64,774	65,840	57,291	(1,066)	8,549
Advertising and promotion	16,056	19,684	34,659	(3,628)	(14,975)
Check losses	8,767	11,476	8,615	(2,709)	2,861
Professional fees	10,979	8,266	7,653	2,713	613
Supplies and postage	4,580	6,078	6,833	(1,498)	(755)
Telecommunication	4,430	5,552	4,774	(1,122)	778
Amortization of intangible assets	1,359	1,437	1,561	(78)	(124)
Cost associated with debt redemption	1,238		1,457	1,238	(1,457)
Provision for tax certificates	7,286	300	300	6,986	
Restructuring charges, impairments and exit activities	7,395	8,351		(956)	8,351
Impairment of real estate held for sale	1,169	5,240		(4,071)	5,240
Impairment of real estate owned	1,465	7,299	9	(5,834)	7,290
Impairment of goodwill	48,284			48,284	
Other	26,990	25,617	24,197	1,373	1,420
Total non-interest expense	$330,623	313,898	293,448	16,725	20,450

BankAtlantic s non-interest expense for 2008, excluding $59.6 million of impairments, restructuring charges and costs associated with debt redemptions, was $271.1 million compared to $293.0 million and $292.0 million during 2007 and 2006, respectively. During 2008, in response to the adverse economic environment, we delayed our store expansion program, consolidated certain back-office facilities, sold five central Florida stores, renegotiated vendor contracts, continued staff reductions, out-sourced certain back-office functions and initiated targeted expense reduction programs. Management s focus on reducing expenses and increasing operating efficiencies is on-going and BankAtlantic anticipates further expense reductions during 2009. Management is continuing to explore opportunities to reduce operating expenses and increase future operating efficiencies; however, there is no assurance that we will be successful in these efforts.

The substantial decline in employee compensation and benefits during the year ended December 31, 2008 compared to the same 2007 period resulted primarily from workforce reductions in March 2007 and April 2008, attrition as well as declines in personnel related to the implementation in December 2007 of reduced store lobby and call center hours. In March 2007, BankAtlantic reduced its work force by 225 associates, or 8%, and in April 2008 BankAtlantic s work force was further reduced by 124 associates, or 6%. As a consequence of the work force reductions and normal attrition, the number of full-time equivalent employees declined from 2,618 at December 31, 2006 to 1,770 at December 31, 2008, or 32%, while the store network expanded from 88 stores at December 31, 2006 to 101 stores at December 31, 2008. Performance bonuses during 2008 were $3.6 million lower than in 2007 reflecting lower loan originations and deposit growth. Share-based compensation expense was also lower for 2008 compared to 2007. The Company did not grant share based awards during 2008 and reversed prior period share based compensation expense as the forfeiture rate on outstanding options was increased from 18% to 40% reflecting the significant reduction in the workforce during 2008.

Employee compensation and benefits expenses for 2007 increased slightly from 2006. This increase was due to the additional employees associated with the opening of 15 stores during 2007 and the opening of 13 stores throughout 2006. These increases in compensation expenses were partially offset by reductions of performance bonuses in 2007 and the March 2007 workforce reductions. Performance bonuses were $4.3 million lower during 2007 compared to 2006, resulting in part from the elimination of executive management cash bonuses. During the year ended December 31, 2007, the number of full-time equivalent BankAtlantic employees declined from 2,618 at December 31, 2006 to 2,385 at December 31, 2007.

Occupancy and equipment expenses for 2008 declined slightly from 2007. During the year ended December 31, 2008, BankAtlantic consolidated two call center operations into one call center in Orlando, Florida, sold five central Florida stores to an unrelated financial institution, terminated certain back-office lease agreements in consolidating back-office operations and renegotiated various vendor contracts. The above expense reduction actions were partially offset by higher depreciation and real estate tax expenses associated with the 2007 store network expansion initiatives.

The significant increase in occupancy and equipment during 2007 compared to 2006 primarily resulted from the expansion of the store network and back-office facilities to support a larger organization. BankAtlantic entered into various operating lease agreements relating to current and future store expansion as well as for back-office facilities. BankAtlantic also incurred higher operating costs for real estate taxes, guard services, and utilities associated with the above growth and expansion initiatives.

As a consequence of slowing new account growth and a changing economic environment, management decided during the fourth quarter of 2006 to reduce advertising expenses. Reflecting that decision, advertising expenses during 2008 and 2007 were significantly lower than 2006. The decline in advertising expenses for 2008 compared to 2007 primarily resulted from lower promotional costs for store grand openings and a management decision to reduce overall marketing as part of an expense reduction initiative. BankAtlantic opened 15 stores during 2007 and 3 during 2008.

BankAtlantic experienced an increase in check losses from 2006 to 2007. The higher check losses during 2007 were primarily related to significant increase in the volume of checking account overdrafts relating to the increased number of checking accounts and the slowing economy. Stringent overdraft policies were implemented, coupled with a decline in new account growth, resulting in lower check losses during 2008.

The higher professional fees for 2008 compared to 2007 primarily resulted from increased litigation costs and legal fees as well as higher supervisory and examination fees. The litigation cost was associated with our tax certificate activities while the higher legal fees were mainly associated with loan foreclosure actions and class action lawsuits. Management believes that the current economic environment as well as the above lawsuits may result in continued elevated legal costs in subsequent periods. The supervisory and exam fees related to increased consulting fees in connection with a review of our commercial loan portfolio and regulatory compliance.

The increase in professional fees during 2007 compared to 2006 reflects higher litigation reserves and legal fees associated with loan work-outs and pending litigation relating to commercial residential real estate loans and the tax certificate portfolio.

The decrease in supplies and postage during each of the years in the three year period ended December 31, 2008 reflects overall expense reduction initiatives and the conversion of certain deposit customers to electronic bank statements.

The lower telecommunication costs for 2008 compared to 2007 primarily resulted from switching to a new vendor on more favorable terms. The increase in telecommunication expenses for 2007 compared to 2006 was directly related to BankAtlantic s growth initiatives and store expansion.

Amortization of intangible assets consisted of the amortization of acquired core deposit intangible assets, which are being amortized over an estimated life of ten years.

The costs associated with debt redemptions were the result of prepayment penalties incurred upon the prepayment of FHLB advances in 2008 and 2006. The prepayments in 2008 were part of an initiative to improve our net interest margin as current short term borrowing interest rates are at historical lows. The prepayments during 2006 were part of a market risk strategy to reduce the effect of an asset sensitive portfolio on BankAtlantic s net interest margin by shortening the average maturity of its outstanding interest-bearing liabilities.

The significant increase in the provision for tax certificates losses during 2008 compared to 2007 and 2006 reflects higher charge-offs and increases in the allowance for tax certificate losses for certificates acquired through bulk purchases in distressed Midwestern States. We ceased the bulk acquisition of tax certificates and our out-of-state tax certificate portfolio was reduced through redemptions.

Restructuring charges, impairments and exit activities during 2008 reflect a $2.2 million severance charge in connection with the April 2008 workforce reduction, and $5.0 million of asset impairments and lease obligation costs associated with management s plan to sell properties or terminate leases associated with our decision to suspend the store expansion initiative. Also included in restructuring charges is a $0.3 million loss on the sale of five central Florida stores to an unrelated financial institution.

The restructuring charges, impairments and exit activities during 2007 reflect the March 2007 workforce reduction and impairment and lease obligation costs associated with our decision to suspend the store expansion initiative.

During the year ended December 31, 2008 and 2007, BankAtlantic recognized impairment charges on a real estate development acquired in connection with the acquisition of a financial institution during 2002. The development was written down to fair value based on updated indications of value. During 2008, BankAtlantic sold all vertical construction associated with the development and the remaining real estate inventory consists of developed and undeveloped lots.

Impairment of real estate owned during 2008 was primarily associated with properties acquired through tax certificate activities in distressed areas of the country. Real estate owned impairments during 2007 primarily resulted from a $7.2 million write-down associated with a real estate development acquired when BankAtlantic took possession of the collateral securing a land acquisition and development loan during the fourth quarter of 2006.

The Company tests goodwill for potential impairment annually or during interim periods if impairment indicators exist. Based on the results of its impairment evaluation, the Company recorded an impairment charge of $48.3 million in 2008. All goodwill in the amount of $31.0 million and $17.3 million, respectively, relating to the Company s commercial lending and community banking reporting units was determined to be impaired. However, goodwill associated with the Company s capital services, tax certificates and investment reporting units of $13.1 million, $4.7 million and $4.4 million, respectively, was determined to not be impaired. The impairments in our community banking and commercial lending business units reflect the on-going downward trends in the financial services industry affecting the Company s market capitalization and the credit quality of BankAtlantic s loan portfolios. BankAtlantic may recognize additional goodwill impairment charges of up to $22.2 million in subsequent periods if economic conditions do not improve.

The higher other expenses during 2008 compared to 2007 primarily resulted from a $2.3 million increase in BankAtlantic s deposit premium assessments as the credit held by BankAtlantic against its deposit premium assessments relating back to the early 1990 s was exhausted and BankAtlantic began paying the full deposit premium during the second quarter of 2008. BankAtlantic anticipates its deposit assessment premium to significantly increase during 2009 as the FDIC has adopted a restoration plan that will increase the rates banks pay for deposit insurance. BankAtlantic also incurred $3.3 million of increased property maintenance costs associated with real estate owned and non-performing loans. These increases in other expenses were partially offset by lower general operating expenses directly related to management s expense reduction initiatives.

The higher other expenses for the year ended December 31, 2007 compared to the same 2006 period reflect higher shared services allocations from BFC for human resources and risk management services as well as increased insurance costs.

BankAtlantic s Provision for Income Taxes

Table of Contents

($ in thousands)	For the Years Ended December 31, 2008	2007	2006	Change 2008 vs 2007	Change 2007 vs 2006
(Loss) income before income taxes	$(135,050)	(40,818)	49,427	(94,232)	(90,245)
(Provision) benefit for income taxes	(31,094)	21,378	(13,105)	(52,472)	34,483
BankAtlantic net (loss) income	$(166,144)	(19,440)	36,322	(146,704)	(55,762)
Effective tax rate	-23.02%	52.37%	26.51%		

The difference between the effective tax rate and the expected federal income tax rate of 35% during 2008 was primarily due to the disallowance of tax benefits associated with the current year losses and net deferred tax assets as a result of the establishment of a deferred tax valuation allowance. Due to BankAtlantic s recent history of losses and the significant ongoing deterioration in economic conditions, BankAtlantic recorded a $66.9 million deferred tax asset valuation allowance representing the entire amount of its net deferred tax assets as of December 31, 2008.

The difference in the effective tax rate and the expected federal income tax rate during 2007 and 2006 was primarily due to tax exempt income from municipal securities and benefits for state taxes due to allocations of earnings or losses among various state tax jurisdictions. BankAtlantic s entire portfolio of tax-exempt securities was sold during the fourth quarter of 2007.

Table of Contents

Parent Company Results of Operations

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

	For the Years Ended December 31, 2008	2007	2006	Change 2008 vs 2007	Change 2007 vs 2006
Net interest income (expense):					
Interest income on loans	$ 261			261	
Interest and dividend income on investments	1,184	2,320	2,448	(1,136)	(128)
Interest expense on Junior subordinated debentures	(21,262)	(23,054)	(21,933)	1,792	(1,121)
Net interest (expense)	(19,817)	(20,734)	(19,485)	917	(1,249)
Provision for loan losses	(24,418)			(24,418)	
Net interest (expense) after provision	(44,235)	(20,734)	(19,485)	(23,501)	(1,249)
Non-interest income:					
Income from unconsolidated subsidiaries	600	1,281	1,634	(681)	(353)
Securities activities, net	(356)	6,105	9,156	(6,461)	(3,051)
Other income	1,027	824	23	203	801
Non-interest income	1,271	8,210	10,813	(6,939)	(2,603)
Non-interest expense:					
Employee compensation and benefits	3,046	2,421	4,705	625	(2,284)
Advertising and promotion	279	317	408	(38)	(91)
Professional fees	1,782	424	638	1,358	(214)
Other	3,634	1,080	1,028	2,554	52
Non-interest expense	8,741	4,242	6,779	4,499	(2,537)
Loss before income taxes	(51,705)	(16,766)	(15,451)	(34,939)	(1,315)
(Provision) benefit for income taxes	(1,395)	6,194	6,008	(7,589)	186
Parent Company loss	$(53,100)	(10,572)	(9,443)	(42,528)	(1,129)

Parent company interest on loans during 2008 represented interest income on a $2.3 million commercial business loan that was returned to an accrual status as the borrower s cash flow improved upon obtaining a tenant for the property serving as collateral.

Interest and dividend income on investments during each of the years in the three year period ended December 31, 2008 was primarily interest and dividends associated with a portfolio of debt and equity securities managed by a money manager as well as earnings from a reverse repurchase account with BankAtlantic. Earnings from the BankAtlantic reverse repurchase account were $0.2 million, $0.3 million and $0.2 million during the years ended December 31, 2008, 2007 and 2006, respectively. The significant decline in interest and dividends on investments during 2008 resulted from the liquidation of the $54.2 million managed investment portfolio during the first quarter of 2008.

Interest expense for the years ended December 31, 2008, 2007 and 2006 consisted primarily of debt service on the Company s junior subordinated debentures. The decline in interest expense during 2008 compared to 2007 resulted from lower average interest rates in 2008 partially offset by higher average borrowings. Average rates on junior subordinated debentures decreased from 8.29% during the year ended December 31, 2007 to 7.14% during the same 2008 period as a result of lower short-term interest rates during 2008 compared to 2007. As previously discussed, the Company elected during the first quarter of 2009 to defer the payment of interest on all of its junior subordinated debentures, and may continue to defer interest payments for up to 20 consecutive quarterly periods. During the deferral period, interest will continue to accrue on the debentures and on the accrued interest, and the Company will continue to recognize such deferred interest as interest expense in its financial statements. The Company s junior subordinated debentures average balances were $294.2 million during 2008 compared to $277.9 million during the same 2007 period. The increase in interest expense during 2007 compared to 2006 primarily resulted from the issuance of $25.8 million and $5.1 million of junior subordinated debentures in June 2007 and September 2007, respectively. The average balance of junior subordinated debentures during the year ended December 31, 2006 was $263.3 million.

To provide greater flexibility in holding and managing non-performing loans and to improve BankAtlantic s financial condition, the Parent Company formed a new asset workout subsidiary which acquired non-performing commercial and commercial residential real estate loans from BankAtlantic for $94.8 million in cash on March 31, 2008. BankAtlantic transferred $101.5 million of non-performing loans to the Parent Company s subsidiary at the loan s carrying value inclusive of $6.4 million in specific allowances for loan losses and $0.3 million of escrow balances. The work-out subsidiary of the Parent Company entered into a servicing arrangement with BankAtlantic with respect to these loans.

The composition of non-performing loans acquired from BankAtlantic as of March 31, 2008 was as follows:

(in thousands)	**Amount**
Nonaccrual loans:	
Commercial residential real estate:	
Builder land loans	$ 32,039
Land acquisition and development	19,809
Land acquisition, development and Construction	34,915
Total commercial residential real estate	86,763
Commercial non-residential real estate	14,731
Total non-accrual loans	101,494
Allowance for loan losses specific reserves	(6,440)
Non-accrual loans, net	$ 95,054

The composition of the transferred non-performing loans as of December 31, 2008 was as follows:

(in thousands)	**December 31, 2008**
Nonaccrual loans:	
Commercial residential real estate:	
Builder land loans	$ 22,019
Land acquisition and development	16,759
Land acquisition, development and Construction	29,163
Total commercial residential real estate	67,941
Commercial non-residential real estate	11,386
Total non-accrual loans	79,327
Allowance for loan losses specific reserves	(11,685)
Non-accrual loans, net	$ 67,642

Additionally, during the year ended December 31, 2008, $2.3 million of loans held by the asset work-out subsidiary was changed to accrual status and the Company received $1.1 million of loan

Table of Contents

repayments.

The provision for loan losses during the year ended December 31, 2008 resulted from $19.2 million of charge-offs on non-performing loans and an increase of specific reserves of $5.2 million. These additional impairments were associated with nonperforming commercial residential real estate loans, and were due to updated loan collateral fair value estimates reflecting the continued deterioration in the Florida residential real estate market. As previously stated, if market conditions do not improve in the Florida real estate market, additional provisions for loan losses and charge-offs may be required in subsequent periods.

Income from unconsolidated subsidiaries during 2008, 2007 and 2006 represents $0.6 million, $0.7 million and $0.6 million, respectively, of equity earnings from trusts formed to issue trust preferred securities and $0, $0.6 million, and $1.0 million of equity earnings in income producing real estate joint ventures during the years ended December 31, 2008, 2007 and 2006, respectively. The business purpose of the joint ventures was to manage certain rental properties with the intent to sell the properties in the foreseeable future. The Parent Company s joint ventures were liquidated and the Parent Company is not currently investing in joint ventures.

During 2008, the Parent Company sold $54.2 million of equity securities from its managed investment portfolio, $108.4 million of Stifel common stock and warrants to acquire 722,586 shares of Stifel common stock for a net gain of $4.2 million. The majority of the $181.8 million of proceeds from the sale of securities and warrants were used to purchase $94.5 million of non-performing loans from BankAtlantic and to contribute $65 million of capital to BankAtlantic. The Parent Company also recognized other-than-temporary impairment charges of $4.6 million associated with an investment in a private limited partnership and an equity investment in a private placement.

During 2007, the Parent Company sold $49.5 million of equity securities from its managed investment portfolio for gains of $9.1 million. The majority of the proceeds from the sale of equity securities were used to purchase and retire the Company s Class A common stock. The Parent Company recognized $0.3 million of unrealized gains from market appreciation of Stifel warrants and recorded an other-than-temporary impairment of $3.3 million associated with an investment in a private limited partnership.

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

Other income during the year ended December 31, 2008 and 2007 represents fees charged to BankAtlantic for executive management services. These fees are eliminated in the Company s consolidated financial statements.

The Company s compensation expense during the years ended December 31, 2008, 2007 and 2006 represents salaries and bonuses for executive officers of the Company as well as recruitment expenses. The lower compensation expense during 2007 compared to 2006 and 2008 primarily reflects the elimination of performance bonuses during 2007. Compensation expense during 2008 also included a $0.6 million reduction in share-based compensation as the forfeiture rate was increased from 18% to 40% to reflect updated historical forfeiture experience. Additional compensation expense during 2006 included payroll taxes associated with the exercise of stock options. Share-based compensation expense was $1.2 million for each of the years in the two year period ended December 31, 2007 and $0.6 million during the year ended December 31, 2008.

Advertising costs during each of the years in the three year period ended December 31, 2008 represents investor relations expenditures and the cost of shareholder correspondence and the annual meetings.

During 2008 the Parent Company incurred higher professional fees associated with a securities class-action lawsuit filed against the Company and the formal investigation into the class-action lawsuit matter by the Securities and Exchange Commission. Also included in professional fees during 2008 were legal costs incurred associated with servicing the non-performing loans held in a work-out subsidiary of the Parent Company. Professional fees during 2006 and 2007 were primarily legal costs for general corporate matters.

The increase in other expenses during the year ended December 31, 2008 compared to the same periods during 2007 and 2006 reflect $2.5 million for property maintenance costs for non-performing loans in the process of foreclosure. The Parent Company also incurred $0.2 million of loan servicing fees from BankAtlantic related to the loans held by the asset workout subsidiary. Also included in other expenses for the years ended December 31, 2008, 2007 and 2006 were fees paid to BFC for investor relations, risk management and executive management personnel services provided to the Company by BFC.

The Parent Company recognized a provision for income taxes of $1.4 million in 2008 and an income tax benefit of $6.2 million and $6.0 million in 2007 and 2006, respectively. These amounts represent effective tax rates of 2.65%, 36.94% and 38.88% for 2008, 2007 and 2006, respectively. The change in the Company s effective tax rate in 2008 from 2007 and 2006 was primarily due to the disallowance of tax benefits associated with the Parent Company s current year loss as a result of a deferred tax valuation allowance established during 2008. The Company s 2005 and 2007 Federal income tax returns are currently under examination by the Internal Revenue Service.

BankAtlantic Bancorp Consolidated Financial Condition

Total assets at December 31, 2008 were $5.8 billion compared to $6.4 billion at December 31, 2007. The changes in components of total assets from December 31, 2007 to December 31, 2008 are summarized below:

Higher cash and due from depository institution balances resulting from additional cash at automated teller machines and cash on hand;

Increase in federal funds sold and short term investments associated with daily treasury management;

Decrease in securities available for sale and financial instruments reflecting the sale of Stifel common stock, the sale of Stifel warrants, the liquidation of managed fund equity investments held by the Parent Company and principal repayments on agency securities;

Decrease in investment securities at cost primarily resulting from the sale of Stifel common stock and certain private equity securities;

Increase in tax certificate balances primarily due to higher Florida tax certificate acquisitions;

Decline in FHLB stock related to lower FHLB advance borrowings;

Decrease in loan receivable balances associated with a $43.2 million increase in the allowance for loan losses as well as lower residential loan balances partially offset by higher small business, commercial business and home equity loan balances;

Lower real estate held for development and sale balances associated with impairments and the sale of inventory of homes at a real estate development;

Decrease in office properties and equipment primarily due to the sale of five central Florida stores to an unrelated financial institution as well as the disposal of properties in connection with the on-going consolidation of back-office facilities;

Decrease in deferred tax asset, net due to the establishment of a deferred tax asset valuation allowance;

Decrease in goodwill associated with the recognition of a $48.3 million goodwill impairment; and

Decline in other assets reflecting the receipt of income tax refunds associated with the carry-back of taxable losses for the year ended December 31, 2007.

The Company s total liabilities at December 31, 2008 were $5.6 billion compared to $5.9 billion at December 31, 2007. The changes in components of total liabilities from December 31, 2007 to December 31, 2008 are summarized below:

Lower non-interest-bearing deposit balances primarily reflecting the migration of non-interest bearing deposits to interest-bearing NOW accounts as BankAtlantic promoted higher interest rate NOW accounts during 2008 in response to greater competition;

Decline in insured savings and money market accounts primarily reflecting deposit outflows resulting from interest rate reductions on high yield account products as high rates from prior period promotions were discontinued;

Increase in certificate accounts reflecting higher brokered deposit balances as well as a higher interest rate certificate account promotion during 2008;

Lower FHLB advance borrowings due to a decline in total assets and the availability of alternative funding sources at lower interest rates;

Higher short-term borrowings associated with funds obtained from the Treasury at lower interest rates than alternate funding sources; and

Decrease in other liabilities primarily resulting from a decline in accrued interest payable on borrowings associated with significantly lower interest rates at period end.

Liquidity and Capital Resources

BankAtlantic Bancorp, Inc.

The Company s principal source of liquidity is its cash and investments. The Company also may obtain funds through dividends from its subsidiaries, issuance of equity and debt securities, proceeds from the Ryan Beck sale contingent earn-out arrangement and liquidation of its investments. The Company uses these funds to contribute capital to its subsidiaries, pay debt service and shareholder dividends, repay borrowings, invest in equity securities and other investments and fund operations. The Company s 2008 interest expense associated with its junior subordinated debentures was approximately $21.3 million. In order to preserve liquidity in the current difficult economic environment, the Company elected in February 2009 to defer interest payments on all of its outstanding junior subordinated debentures and to cease paying dividends on its common stock. During the year ended December 31, 2008, the Company received $15.0 million of dividends from BankAtlantic which was utilized for debt service on its junior subordinated debentures. The ability of BankAtlantic to pay dividends or make other distributions to the Company in subsequent periods is subject to regulations and Office of Thrift Supervision (OTS) approval and is based upon BankAtlantic s regulatory capital levels and net income. Because BankAtlantic has an accumulated deficit during the prior two years, BankAtlantic is required to file an application to receive approval of the OTS in order to pay dividends to the Company. The OTS would not approve any distribution that would cause BankAtlantic to fail to meet its capital requirements or if the OTS believes that a capital distribution by BankAtlantic constitutes an unsafe or unsound action or practice and there is no assurance that the OTS will approve future capital distributions from BankAtlantic. BankAtlantic has not filed an application with the OTS for approval to pay a dividend since September 2008 and the Company does not expect to receive cash dividends from BankAtlantic during 2009, and possibly longer. However, the Company may receive dividends from its asset work-out subsidiary upon the monetizing of the subsidiaries non-performing loans. The Company s liquidity focus during 2009 is on providing capital to BankAtlantic, if needed, managing the cash requirements of its asset work-out subsidiary, and funding its operating expenses. The Company is required to provide BankAtlantic with managerial assistance and capital as the OTS may determine necessary under applicable regulations and supervisory standards.

In February 2009, the Company elected to defer regularly scheduled interest payments on all of the Company s outstanding junior subordinated debentures relating to its outstanding trust preferred securities. The terms of the junior subordinated debentures and the trust documents allow the Company to defer payments of interest for up to 20 consecutive quarterly periods without default or penalty. During the deferral period, the respective trusts will likewise suspend the declaration and payment of dividends on the trust preferred securities. The deferral election will begin with respect to regularly scheduled quarterly interest payments aggregating $3.9 million that would otherwise have been made in March and April of 2009. The Company has the ability under the junior subordinated debentures to continue to defer interest payments through ongoing, appropriate notices to each of the trustees, and will make a decision each quarter as to whether to continue the deferral of interest. During the deferral period, interest will continue to accrue on the junior subordinated debentures at the stated coupon rate, including on the deferred interest, and the Company will continue to record the interest expense associated with the junior subordinated debentures. During the deferral period, the Company may not, among other things and with limited exceptions, pay cash dividends on or repurchase its common stock nor make any payment on outstanding debt obligations that rank equally with or junior to the junior subordinated debentures. The Company may end the deferral by paying all accrued and unpaid interest.

The Company has the following cash and investments that provide a source for potential liquidity based on values at December 31, 2008; however, there is no assurance that these investments will maintain such value or that we would receive proceeds equal to estimated fair value upon the liquidation of these investments (see Note 25 to the Notes to Consolidated Financial Statements for a discussion of fair value measurements).

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

The Company s work-out subsidiary had $81.6 million of commercial loans outstanding as of December 31, 2008 that are a potential source of liquidity.

During the year ended December 31, 2008, the Parent Company sold its holdings of Stifel common stock and warrants, liquidated its managed fund equity securities and sold private investment securities for aggregate net proceeds of $181.9 million. The Parent Company transferred $94.8 million of the cash proceeds from the sale of these assets to BankAtlantic in exchange for the transfer by BankAtlantic of non-performing commercial loans to a wholly-owned asset workout subsidiary of the Parent Company. The Parent Company may consider, among other alternatives, selling interests in the subsidiary to investors in the future. The Parent Company also used a portion of the proceeds from its securities sales to contribute $65 million to BankAtlantic to improve BankAtlantic s capital base.

The Stifel agreement also provides for contingent earn-out payments, payable in cash or shares of Stifel common stock, at Stifel s election, based on (a) defined Ryan Beck private client revenues during the two-year period immediately following the merger up to a maximum of $40,000,000 and (b) defined Ryan Beck investment banking revenues equal to 25% of the amount that such revenues exceed $25,000,000 during each of the two twelve-month periods immediately following the merger. The contingent earn-out payments will be accounted for when earned as additional proceeds from the exchange of Ryan Beck common stock. During the year ended December 31, 2008, the Company earned $16.6 million in earn-out consideration pursuant to the above agreement. The Company received $11.7 million of this earn-out consideration during 2008 and the remaining estimated consideration of $9.1 million will be payable to the Company. Pursuant to the terms of the Stifel agreement, the Company agreed to indemnify Stifel against certain losses arising out of activities of Ryan Beck prior to its sale. Stifel recently indicated that it believes the thresholds for such obligations have been met and the Company has requested information from Stifel in order to determine if any amounts might be owed. Based on information provided by Stifel, management believes that the obligation, if any, under the Stifel indemnity will not have a material impact on the Company s financial statements.

In light of the current challenging economic environment and the desire for the Company to be in a position to provide capital to BankAtlantic, if needed, the Company is considering pursuing the issuance of securities, which could include Class A common stock, debt, preferred stock, warrants or any combination thereof. Any such financing could be obtained through public or private offerings, in privately negotiated transactions or otherwise. Additionally, we could pursue these financings at the Parent Company level or directly at BankAtlantic or both.

Any financing involving the issuance of our Class A common stock or securities convertible or exercisable for our Class A common stock could be highly dilutive for our existing shareholders. There is no assurance that any such financing will be available to us on favorable terms or at all.

In October 2008, the U.S. Treasury announced the Capital Purchase Program (the CPP) to invest capital into U.S. financial institutions pursuant to which institutions may issue senior preferred stock to the Treasury and receive proceeds of up to 3 percent of risk-weighted assets. The Program requires that in conjunction with the issuance of senior preferred shares, the Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15 percent of the investment in senior preferred stock with the exercise price equal to the market price of the participating institution s common stock at the time of approval, calculated on a 20-trading day trailing average. Financial institutions that participate will be subject to certain restrictions and covenants as may be required by the Treasury. The Company and BankAtlantic have submitted an application for CPP funds; however, there is no assurance that the Company or BankAtlantic will participate in the Treasury s Program or of the amount of any such participation. To date, the Treasury has not acted on the application. In the event we receive approval for participation in the CPP and choose to do so, we expect that we would end the deferral of interest payments on our junior subordinated debentures using existing funds of the Company.

BankAtlantic

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

BankAtlantic s primary sources of funds are deposits; principal repayments of loans, tax certificates and securities available for sale; proceeds from the sale of loans and securities available for sale; proceeds from securities sold under agreements to repurchase and federal funds purchased; advances from FHLB; Treasury lending programs; interest payments on loans and securities; and other funds generated by operations. These funds were primarily utilized to fund loan disbursements and purchases, deposit outflows, repayments of securities sold under agreements to repurchase, repayments of advances from FHLB, purchases of tax certificates and securities available for sale, deposit cash outflows, acquisitions of properties and equipment, and operating expenses.

In October 2008, the FDIC announced a Liquidity Guarantee Program. Under this program, certain newly issued senior unsecured debt issued on or before June 30, 2009, would be fully protected in the event the issuing institution subsequently fails, or its holding company files for bankruptcy. This includes promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt. Coverage would be limited to the period ending June 30, 2012, even if the maturity exceeds that date. The program may provide BankAtlantic with additional liquidity as certain new borrowings may be guaranteed by the FDIC. The FDIC also announced that any participating depository institution will be able to provide full deposit insurance coverage for non-interest bearing deposit transaction accounts including interest bearing accounts with rates at or below fifty basis points, regardless of dollar amount. This new, temporary guarantee will expire at the end of 2009. BankAtlantic opted-in to the additional coverage on qualifying borrowings and non-interest bearing deposits. As a result, BankAtlantic may be assessed a 75-basis point fee on new covered borrowings, and will be assessed a 10-basis point surcharge for non-interest bearing deposit transaction balances exceeding the previously insured amount.

In October 2008, the FDIC adopted a restoration plan that would increase the rates depository institutions pay for deposit insurance. Under the restoration plan, the assessment rate schedule would be raised uniformly by 7 basis points beginning on January 1, 2009 and beginning with the second quarter of 2009, changes would be made to the assessment rate to increase assessments on riskier institutions. Although we have not been notified of our assessment rate increase, a 7 basis point assessment rate increase would result in $2.8 million of additional annual FDIC assessment premiums for BankAtlantic based on deposits as of December 31, 2008.

BankAtlantic s liquidity may be affected by unforeseen demands on cash. Our objective in managing liquidity is to maintain sufficient resources of available liquid assets to address our funding needs. Sources of credit in the capital markets have tightened significantly, demand for mortgage loans in the secondary market has decreased, securities and debt ratings have been downgraded and a number of institutions have defaulted on their debt. These market disruptions have made it more difficult for financial institutions to borrow money. In addition, in April 2008, the FHLB of Atlanta notified its member financial institutions that it will increase the discount it applies to residential first mortgage collateral, thereby decreasing the total amount that BankAtlantic and others may borrow from the FHLB. We cannot predict with any degree of certainty how long these market conditions may continue, nor can we anticipate the degree that such market conditions may impact our operations. Deterioration in the performance of other financial institutions, including charge-offs of loans, impairments of securities, debt-rating downgrades and defaults may continue and may adversely impact the ability of all financial institutions to access liquidity. There is no assurance that further deterioration in the financial markets will not result in additional market-wide liquidity problems, and affect our liquidity position.

The FHLB has granted BankAtlantic a line of credit capped at 40% of assets subject to available collateral, with a maximum term of ten years. BankAtlantic had utilized its FHLB line of credit to borrow $967.0 million as of December 31, 2008. The line of credit is secured by a blanket lien on BankAtlantic s residential mortgage loans and certain commercial real estate and consumer home equity loans. BankAtlantic s available borrowings under this line of credit were approximately $672 million at December 31, 2008. BankAtlantic also participated in the Treasury s term auction program. BankAtlantic had $236.0 million outstanding pursuant to this Treasury program as of December 31, 2008. An additional source of liquidity for BankAtlantic is its securities portfolio. As of December 31, 2008, BankAtlantic had $231 million of un-pledged securities that could be sold or pledged for additional borrowings with the FHLB, the Federal Reserve or other financial institutions. BankAtlantic has established lines of credit for up to $35 million with other banks to purchase federal funds of which no amounts were outstanding as of December 31, 2008. BankAtlantic is also a participating institution in the Federal Reserve Treasury Investment Program for up to $50 million in fundings and at December 31, 2008, BankAtlantic had $2.3 million of short-term borrowings outstanding under this program. BankAtlantic is also eligible to participate in the Federal Reserve s discount window program. The amount that can be borrowed under this program is dependent on available collateral. BankAtlantic had no amounts outstanding under this program at December 31, 2008. The above lines of credit are subject to periodic review, may be terminated at any time by the issuer institution and are unsecured. If the current economic trends continue to adversely affect our performance, the above borrowings may be limited, or may not be available to us and BankAtlantic s liquidity would be materially adversely affected.

BankAtlantic also has various relationships to acquire brokered deposits, and to execute repurchase agreements, which may be utilized as an alternative source of liquidity, if needed. At December 31, 2008, BankAtlantic had $239.9 million and $47.9 million of brokered deposits and securities sold under agreements to repurchase outstanding. Additionally, BankAtlantic had federal funds sold of $20.8 million and total cash on hand or with other financial institutions of $127.7 million as of December 31, 2008.

BankAtlantic s commitments to originate and purchase loans at December 31, 2008 were $38.4 million and $3.0, respectively, compared to $176.9 million and $61.1 million, respectively, at December 31, 2007. At December 31, 2008, total loan commitments represented approximately 0.90% of net loans receivable.

At December 31, 2008, BankAtlantic had mortgage-backed securities of approximately $47.9 million pledged to secure securities sold under agreements to repurchase, $109.3 million pledged to secure public deposits, $225.4 million pledged to secure term auction facilities and $51.4 million pledged to secure treasury tax and loan accounts.

A significant source of our liquidity is repayments and maturities of loans and securities. The table below presents the contractual principal repayments and maturity dates of our loan portfolio and securities available for sale at December 31, 2008. The total amount of principal repayments on loans and

Table of Contents

securities contractually due after December 31, 2009 was $4.2 billion, of which $1.8 billion have fixed interest rates and $2.4 billion have floating or adjustable interest rates. Actual principal repayments may differ from information shown below (in thousands):

	As of December 31, 2008	For the Period Ending December 31, (1)					
		2009	2010-2011	2012-2016	2017-2021	2022-2026	>2027
Commercial real estate	$1,449,620	665,220	309,179	316,651	94,982	60,879	2,709
Residential real estate	1,933,077	40,286	5,861	30,506	265,104	81,892	1,509,428
Consumer and home equity	745,086	1,384	5,861	297,845	370,009	69,987	
Commercial business	251,248	120,903	43,983	81,387	4,428	547	
Total loans	$4,379,031	827,793	364,884	726,389	734,523	213,305	1,512,137
Total securities available for sale (1)	$ 699,474		277	330	36,850	128,162	533,855

(1) Does not include $2.4 million of equity securities.

Loan maturities and sensitivity of loans to changes in interest rates for commercial business and real estate construction loans at December 31, 2008 were (in thousands):

	Commercial Business	Real Estate Construction	Total
One year or less	$215,440	291,441	506,881
Over one year, but less than five years	31,909	9,084	40,993
Over five years	3,899		3,899
	$251,248	300,525	551,773
Due After One Year:			
Pre-determined interest rate	$ 35,808	9,084	44,892
Floating or adjustable interest rate			

	$ 35,808	9,084	44,892

BankAtlantic s geographic loan concentration based on outstanding loan balances at December 31, 2008 was:

Florida	60%
Eastern U.S.A.	21%
Western U.S.A.	15%
Central U.S.A	4%
	100%

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

At December 31, 2008, BankAtlantic met all applicable liquidity and regulatory capital requirements. At the indicated dates, BankAtlantic s capital amounts and ratios were (dollars in thousands):

	Actual Amount	Actual Ratio	Minimum Ratios Adequately Capitalized Ratio	Minimum Ratios Well Capitalized Ratio
At December 31, 2008:				
Total risk-based capital	$456,776	11.63%	8.00%	10.00%
Tier 1 risk-based capital	385,006	9.80	4.00	6.00
Tangible capital	385,006	6.80	1.50	1.50
Core capital	385,006	6.80	4.00	5.00
At December 31, 2007:				
Total risk-based capital	$495,668	11.63%	8.00%	10.00%
Tier 1 risk-based capital	420,063	9.85	4.00	6.00
Tangible capital	420,063	6.94	1.50	1.50
Core capital	420,063	6.94	4.00	5.00

Savings institutions are also subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). Regulations implementing the prompt corrective action provisions of FDICIA define specific capital categories based on FDICIA s defined capital ratios, as discussed more fully in Part I under Regulation of Federal Savings Banks .

The OTS at its discretion can require an institution to maintain capital amounts and ratios significantly above the well capitalized requirements based on the risk profile of the specific institution. If higher capital requirements are imposed by the OTS, BankAtlantic could be required to raise additional capital. Management can give no assurance that BankAtlantic will be successful in raising additional capital in subsequent periods, if required.

Consolidated Cash Flows

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

	For the Years Ended December 31, 2008	2007	2006
Net cash provided by (used in):			
Operating activities	$ 75,447	40,928	3,359
Investing activities	281,186	(22,066)	(205,891)
Financing activities	(322,250)	(30,183)	174,460
Increase (decrease) in cash and cash equivalents	$ 34,383	(11,321)	(28,072)

The increase in cash flows from operating activities during 2008 compared to 2007 was primarily due to a reduction in non-interest expenses. The Company experienced a decline in employee compensation associated with its restructuring plan that included reduced store hours and the consolidation of back-office facilities. The Company also reduced its advertising and promotion expense by 18% during 2008 compared to 2007. The increase in cash flows from operating activities during 2007 compared to 2006 primarily resulted from a substantial increase in non-interest income from service charges on deposits as well as a significant reduction in advertising and promotion expenses. During 2007, service charge fees increased primarily due to new deposit accounts.

The increase in cash flows from investing activities during 2008 compared to 2007 primarily resulted from a decline in interest earning assets as loan and securities repayments exceeded loan

Table of Contents

originations and securities purchased. The Company reduced its total assets during 2008 in order to improve its regulatory capital levels in response to the difficult economic environment. The increase in cash flows from investing activities during 2007 compared to 2006 was primarily due to a decline in net loan originations and decreased purchases of property and equipment.

The decrease in cash flows from financing activities during 2008 compared to 2007 resulted from the prepayments of FHLB advances. The prepayments were accompanied by a decline in interest earning assets. The decrease in cash flows from financing activities during 2007 compared to 2006 primarily resulted from net repayments of FHLB advances as well as the purchase and retirement of the Company s Class A common stock.

Off Balance Sheet Arrangements, Contractual Obligations and Loan Commitments

The table below summarizes the Company s loan commitments at December 31, 2008 (in thousands):

	Amount of Commitment Expiration Per Period				
Commercial Commitments	**Total Amounts Committed**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Lines of credit	$501,431	70,642			430,789
Standby letters of credit	20,558	20,558			
Other commercial commitments	41,368	41,368			
Total commercial commitments	$563,357	132,568			430,789

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

Standby letters of credit are conditional commitments issued by BankAtlantic to guarantee the performance of a customer to a third party. BankAtlantic standby letters of credit are generally issued to customers in the construction industry guaranteeing project performance. These types of standby letters of credit had a maximum exposure of $14.1 million at December 31, 2008. BankAtlantic also issues standby letters of credit to commercial lending customers guaranteeing the payment of goods and services. These types of standby letters of credit had a maximum exposure of $6.4 million at December 31, 2008. Those guarantees are primarily issued to support public and private borrowing arrangements and have maturities of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. BankAtlantic may hold certificates of deposit and residential and commercial real estate liens as collateral for such commitments, similar to other types of borrowings.

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

At December 31, 2008, the Company did not have off balance sheet arrangements that would have a material effect on the Company s consolidated financial statements.

Table of Contents

The table below summarizes the Company s contractual obligations at December 31, 2008 (in thousands):

Contractual Obligations	Total	Payments Due by Period (2) Less than 1 year	1-3 years	4-5 years	After 5 years
Time deposits	$1,338,176	1,229,144	65,640	43,377	15
Long-term debt	317,059		22,000	864	294,195
Advances from FHLB (1)	967,028	565,000	402,028		
Operating lease obligations held for sublease	30,729	1,241	3,657	2,403	23,428
Operating lease obligations held for use	74,369	7,983	11,635	9,562	45,189
Pension obligation	17,340	1,269	2,995	3,229	9,847
Other obligations	20,056	2,956	5,900	6,400	4,800
Total contractual cash obligations	$2,764,757	1,807,593	513,855	65,835	377,474

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

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

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

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

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

The pension obligation represents the accumulated benefit obligation of the Company s defined benefit plan at December 31, 2008. The payments represent the estimated benefit payments through 2018, the majority of which will be funded through plan assets. The table does not include estimated benefit payments after 2018. The actuarial present value of the projected accumulated benefit obligation was $31.2 million at December 31, 2008. The plan was underfunded by $13.2 million as of December 31, 2008. The Company is required to fund plan deficits over a seven year period which would include a contribution of $1.6 million to the pension plan for the year ended December 31, 2009. The Company s future cash contribution may increase or decrease depending on the performance of the plan assets and the increase or decrease of the projected benefit obligation in subsequent periods.

Other obligations are primarily legally binding agreements with vendors for advertising, marketing and sponsorship services.

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

BankAtlantic has terminated various operating leases originally executed for store expansion or back-office facilities. In certain lease terminations the landlord consents to the assignment of the lease to a third party; however, BankAtlantic remains secondarily liable for the lease obligation. As of December 31, 2008 BankAtlantic was secondarily liable for $11.9 million of lease payments. BankAtlantic uses the same

Table of Contents

credit policies in assigning these leases to third parties as it does in originating loans.

During the fourth quarter of 2006, BankAtlantic initiated an investment strategy including the purchase of agency securities with a call option written on the purchased agency securities. When utilizing this strategy, BankAtlantic is subject to the off-balance sheet risk of foregoing the appreciation on the agency securities in exchange for the option premium and the potential of owning out-of-the-money agency securities if interest rates rise. No call option contracts were outstanding as of December 31, 2008.

Critical Accounting Policies

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

Allowance for loan losses

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

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

The second component of the allowance for loan losses requires us to group loans that have similar credit risk characteristics so as to form a basis for estimating probable losses inherent in the group of loans based on historical loss percentages and delinquency trends as it relates to the group. Management

Table of Contents

assigns a quantitative allowance to these groups of loans by utilizing historical loss experiences. Management also assigns a qualitative allowance to these groups of loans in order to adjust the historical data for qualitative factors that exist currently that were not present in the historical data. These qualitative factors include delinquency trends, loan classification migration trends, economic and business conditions, concentration of credit risk, loan-to-value ratios, problem loan trends and external factors. In deriving the qualitative allowance management uses significant judgment to qualitatively adjust the historical loss experiences for current trends that existed at period end that were not reflected in the calculated historical loss ratios and to adjust the allowance for the changes in the current economic climate compared to the economic environment that existed historically. A subsequent change in data trends or the external environment may result in material changes in this component of the allowance from period to period.

Management believes that the allowance for loan losses reflects a reasonable estimate of incurred credit losses as of the statement of financial condition date. As of December 31, 2008, our allowance for loan losses was $137.3 million. See Provision for Loan Losses for a discussion of the amounts of our allowance assigned to each loan product. The estimated allowance, which was derived from the above methodology, may be significantly different from actual realized losses. Actual losses incurred in the future are highly dependent upon future events, including the economies of geographic areas in which we hold loans, especially in Florida. These factors are beyond management s control. Accordingly, there is no assurance that we will not incur credit losses far in excess of the amounts estimated by our allowance for loan losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to recognize additions to the allowance based on their judgments and information available to them at the time of their examination.

We analyze our loan portfolio by monitoring the loan mix, credit quality, loan-to-value ratios, historical trends and economic conditions quarterly. As a consequence, our allowance for loan losses estimates will change from period to period. A portion of the change in our loan loss estimates during the four year period ended December 31, 2006 resulted from changes in credit policies which focused our loan production on collateral based loans and the discontinuation of certain loan products. We believe that these changes reduced our allowance for loan losses as measured by the decline in our allowance to loan losses to total loans from 1.38% at December 31, 2002 to 0.94% at December 31, 2006. During this period real estate markets experienced significant price increases accompanied by an abundance of available mortgage financing. We believe that these external factors favorably impacted our provision for loan losses and allowance for loan losses through this four year period. During the years ended December 31, 2007 and 2008 the residential real estate market and general economic conditions, both nationally and in Florida, rapidly deteriorated with significant reductions in the sales prices and volume of residential real estate sold. These rapidly deteriorating real estate market conditions and adverse economic conditions resulted in a significant increase in our ratio of allowance for loan losses to total loans from 0.94% at December 31, 2006 to 2.87% at December 31, 2008. We believe that our earnings in subsequent periods will be highly sensitive to changes in the Florida real estate market as well as the length of the current recession, availability of mortgage financing and the severity of unemployment in Florida. If the current negative real estate and economic conditions continue or deteriorate further we are likely to experience significantly increased credit losses.

Valuation of investment securities

We record our securities available for sale and derivative instruments in our statement of financial condition at fair value. We also disclose fair value estimates in our statement of financial condition for investment securities at cost. We generally use market and income approach valuation techniques and a fair value hierarchy to prioritize the inputs used in valuation techniques. Our policy is to use quoted market prices (Level 1 inputs) when available. However quoted market prices are not available for our mortgage-backed securities, REMIC s, other securities and certain equity securities requiring us to use Level 2 and Level 3 inputs. The classification of assumptions as Level 2 or Level 3 inputs is based on judgment and the classification of the inputs could change based on the availability of observable market data.

We subscribe to a third-party service to assist us in determining the fair value of our mortgage-backed securities and real estate mortgage conduits. The estimated fair value of these securities at December

31, 2008 was $699.2 million. We use matrix pricing to value these securities as identical securities that we own are not traded on active markets. Matrix pricing computes the fair value of mortgage-backed securities and real estate mortgage conduits based on the coupon rate, maturity date and estimates of future prepayment rates obtained from trades of securities with similar characteristic and from market data obtained from brokers. We consider the above inputs Level 2. The valuations obtained from the matrix pricing are not actual transactions and may not reflect the actual amount that would be realized upon sale. While the interest rate and prepayment assumptions used in the matrix pricing are representative of assumptions that we believe market participants would use in valuing these securities, different assumptions may result in significantly different results. Additionally, current observable data may not be available in subsequent periods resulting in us obtaining level 3 inputs to value these securities. The mortgage-backed and REMIC securities that we own are government agency guaranteed with minimal credit risk. These securities are of high credit quality and we believe can be liquidated in the near future; however, the price obtained upon sale could be higher or lower than the fair value obtained through matrix pricing. In light of the current volatility and uncertainty in credit markets, it is difficult to estimate with accuracy the price that we could obtain for these securities and the time that it could take to sell them in an orderly transaction.

Included in our statement of financial condition in securities available for sale as of December 31, 2008 was $1.8 million of equity and debt securities that lack market liquidity and trade in inactive markets. These securities are fair valued through the use of non-binding broker quotes (Level 3 inputs). As these quotes are non-binding and not actual transactions, the values we have obtained may not reflect the actual amount that would be realized upon sale. No current market exists for these securities and the liquidation of these securities is subject to significant uncertainty.

We disclosed the estimated fair value of our private investment securities at $2.5 million in our statement of financial condition. These securities represent investments in limited partnerships that invest in equity securities based on proprietary investment strategies or private placements. The majority of the underlying equity securities investments of the limited partnerships are publicly traded. The fair value of these investments in our statement of financial condition was obtained from the general partner or management of the private placements (Level 3). These investments do not have readily determinable fair values and the fair values calculated by us do not represent actual transactions. Amounts realized upon the sale of our interest in these investments may be higher or lower than the amounts disclosed. No current market exists for these securities and the liquidation of these securities is subject to significant uncertainty.

Other-than-Temporary Impairment of Securities.

We perform an evaluation on a quarterly basis to determine if any of our securities are other-than-temporarily impaired. In making this determination, we consider the extent and duration of the impairment, the nature and financial condition of the issuer and our ability and intent to hold securities for a period sufficient to allow for any anticipated recovery in market value. If a security is determined to be other-than-temporarily impaired, we record an impairment loss as a charge to income for the period in which the impairment loss is determined to exist, resulting in a reduction to our earnings for that period. The value of the Company s investment in private equity securities has significantly declined during the year ended December 31, 2008. As a consequence of our quarterly evaluation, we recognized a $4.5 million permanent impairment associated with these securities. The evaluation of other-than-temporary impairment of securities requires significant management judgment on the financial condition of the issuer and the ability of the issuer to recover the impairment. As of December 31, 2008 the Company had $32.2 million of impaired securities with an unrealized loss of $1.0 million. We concluded the unrealized loss was temporary due to what we believe to be the high credit quality of these agency securities and our intent and ability to hold these securities beyond the period of time when we believe the impairment would be recovered. However, in light of the current challenging economic and credit conditions, there is no assurance that future events will not cause us to change this conclusion or that the impairment would be recovered.

Table of Contents

Impairment of Goodwill and Long Lived Assets

We test goodwill for impairment annually or when events or circumstances occur that my result in goodwill impairment during interim periods. The test requires us to determine the fair value of our reporting units and compare the reporting units fair value to its carrying value. The Company s reporting units are comprised of Community Banking, Commercial Lending, Tax Certificate Operations, Capital Services and Investment Operations. The fair values of the reporting units are estimated using discounted cash flow present value valuation models and market multiple techniques.

While management believes the sources utilized to arrive at the fair value estimates are reliable, different sources or methods could have yielded different fair value estimates. These fair value estimates require a significant amount of judgment. If the fair value of a reporting unit is below the carrying amount a second step of the goodwill impairment test is performed. This second step requires us to fair value all assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation. There is no active market for many of the Company s assets requiring management to derive the fair value of the majority of these assets using net present value models. As a consequence, management estimates rely on assumptions and judgments regarding issues where the outcome is unknown and as a result actual results or values may differ significantly from these estimates. Additionally, declines in the market capitalization of the Company s common stock affect the aggregate fair value of the reporting units. Changes in management s valuation of its reporting units and the underlying assets as well as declines in the Company s market capitalization may affect future earnings through the recognition of additional goodwill impairment charges of up to $22.2 million.

During the year ended December 31, 2008 we recognized goodwill impairment charges of $48.3 million. As of December 31, 2008 our goodwill was $22.2 million.

In determining the fair value of the reporting units, the Company used a combination of the discounted cash flow techniques and market multiple methodologies. These methods require assumptions for expected cash flows, discount rates, and comparable financial institutions to determine market multiples. The aggregate fair value of all reporting units derived from the above valuation techniques was compared to the Company s market capitalization adjusted for a control premium in order to determine the reasonableness of the financial model output. A control premium represents the value an investor would pay above minority interest transaction prices in order to obtain a controlling interest in the respective company. The values separately derived from each valuation technique (i.e., discounted cash flow and market multiples) were used to develop an overall estimate of a reporting unit s fair value. Different weighting of the various fair value techniques could result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value. The Company used financial projections over a period of time considered necessary to achieve a steady state of cash flows for each reporting unit. The primary assumptions in the projections were anticipated loan and deposit growth, interest rates and revenue growth. The discount rates were estimated based on the Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and unsystematic risk and size premium adjustments specific to a particular reporting unit. The estimated fair value of a reporting unit is highly sensitive to changes in the discount rate and terminal value assumptions. Minor changes in these assumptions could impact significantly the fair value assigned to a reporting unit. Future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value.

When the estimated fair value of a reporting unit is below the carrying value, goodwill may be impaired. In those situations step-two of the goodwill impairment evaluation is performed which involves calculating the implied fair value of the reporting unit s goodwill. The implied fair value of goodwill is determined in the same manner as it is determined in a business combination. The fair value of the reporting unit s assets and liabilities, including previously unrecognized intangible assets, is individually determined. The excess fair value of the reporting unit over the fair value of the reporting unit s net assets is the implied goodwill. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting unit.

The value of the implied goodwill is highly sensitive to the estimated fair value of the reporting unit s net assets. The fair value of the reporting unit s net assets is estimated using a variety of valuation techniques including the following:

recent data observed in the market, including similar assets,

cash flow modeling based on projected cash flows and market discount rates , and

estimated fair value of the underlying loan collateral

The estimated fair values reflect the Company s assumptions regarding how a market participant would value the net assets and includes appropriate credit, liquidity, and market risk premiums that are indicative of the current environment. Currently, estimated liquidity and market risk premiums on certain loan categories ranged from 3% to 25%; however, those values are not actual transactions and may not reflect the actual amount that would be realized upon sale. If the implied fair value of the goodwill for the reporting unit exceeds the carrying value of the goodwill for the respective reporting unit, no goodwill impairment is recorded. Changes in the estimated fair value of the individual assets and liabilities may result in a different amount of implied goodwill, and the amount of goodwill impairment, if any. Future changes in the fair value of the reporting unit s net assets may result in future goodwill impairment.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing a long-lived asset for recoverability, it may be necessary to review estimated lives and adjust the depreciation period. Changes in circumstances and the estimates of future cash flows as well as evaluating estimated lives of long-lived assets are subjective and involve a significant amount of judgment. A change in the estimated life of a long-lived asset may substantially increase depreciation and amortization expense in subsequent periods. For purposes of recognition and measurement of an impairment loss, we are required to group long-lived assets at the lowest level for which identifiable cash flows are independent of other assets. These cash flows are based on projections from management reports which are based on subjective interdepartmental allocations. Fair values are not available for many of our long-lived assets, and estimates must be based on available information, including prices of similar assets and present value valuation techniques using level 3 unobservable inputs. Long-lived assets subject to the above impairment analysis included property and equipment, internal-use software, real estate held for development and sale and real estate owned.

During the year ended December 31, 2008, we halted our store expansion program, consolidated back-office facilities, terminated or subleased certain operating lease contracts and reduced our store operating hours. As a consequence, we recognized an impairment charge of $7.4 million. A portion of the impairment charge is based on the fair value of real estate, equipment and unfavorable contracts. These fair value amounts were based on market-based estimates and net present value models. These estimates and assumptions are highly subjective and based on significant management estimates. The amount ultimately realized upon the sale of these properties or the termination of these unfavorable contracts may be significantly different than the recorded amounts. The assumptions used are representative of assumptions that we believe market participants would use in fair valuing these assets or lease contracts, while different assumptions may result in significantly different results.

Accounting for Deferred Tax Asset Valuation Allowance

The Company reviews the carrying amount of its deferred tax assets quarterly to determine if the establishment of a valuation allowance is necessary. If, based on the available evidence, it is more-likely-than-not that all or a portion of the Company s deferred tax assets will not be realized, a deferred tax valuation allowance would be established. Consideration is given to all positive and negative evidence related to the realization of the deferred tax assets.

In evaluating the available evidence, management considered historical financial performance, expectation of future earnings, length of statutory carry forward periods, experience with operating loss and tax credit carry forwards not expiring unused, tax planning strategies and timing of reversals of temporary differences. Significant judgment is required in assessing future earnings trends and the timing of reversals of temporary differences. The Company s evaluation is based on current tax laws as well as management s expectations of future performance based on its strategic initiatives. Changes in existing tax laws and future results differing from expectations may result in significant changes in the deferred tax assets valuation allowance.

Based on our evaluation as of December 31, 2008, a net deferred tax asset valuation allowance was established for the entire amount of the Company s net deferred tax assets as the realization of these assets did not meet the more-likely-than-not criteria of statement of financial accounting standard No. 109. During the fourth quarter of 2008, market conditions in the financial services industry significantly deteriorated with the bankruptcies and government bail-outs of large financial services entities. This market turmoil led to a tightening of credit, lack of consumer confidence, increased market volatility and widespread reduction in business activity. These economic conditions adversely effected BankAtlantic s profitable lines of business and it does not appear that these challenging market conditions are likely to improve in the foreseeable future. As a consequence of the worsening economic conditions during the fourth quarter of 2008, it appeared more-likely-than-not that the Company would not realize its deferred tax assets resulting in a deferred tax asset valuation allowance for the entire amount of the Company s net deferred tax assets. However, significant judgment is required in evaluating the positive and negative evidence for the establishment of the deferred tax asset valuation allowance, and if future events differ from expectations or if there are changes in the tax laws, a substantial portion or the entire deferred tax asset benefit may be realized in the future. The Company s net deferred tax assets can be carried forward for 20 years and applied to offset future taxable income.

Dividends

In February 2009, the Company elected to exercise its right to defer payments of interest on its trust preferred junior subordinated debt. During the deferral period, the Company is not permitted to pay dividends to its common shareholders. The Company can end the deferral period at any time by paying all accrued and unpaid interest. Further, the availability of funds for dividend payments generally depends upon BankAtlantic s ability to pay cash dividends to the Company. Current regulations applicable to the payment of cash dividends by savings institutions impose limits on capital distributions based on an institution s regulatory capital levels, retained net income and net income. The Company does not expect to receive cash dividends from BankAtlantic during 2009, and possibly longer. See Risk Factors BankAtlantic Bancorp services its debt and pays dividends primarily from dividends from BankAtlantic, which are subject to regulatory limits and Regulation and Supervision Limitation on Capital Distributions.

Impact of Inflation

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

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

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Consolidated Market Risk

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

Consolidated Interest Rate Risk

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

BankAtlantic Repricing Gap Table
As of December 31, 2008

	1 Year or Less	3 Years or Less	5 Years or Less	More Than 5 Years	Total
Interest earning assets:					
Loans:					
Residential loans (1)					
Fixed rate	$ 221,281	127,914	65,996	236,071	651,262
Hybrids ARM less than 5 years	64,444	40,703	6,118		111,265
Hybrids ARM more than 5 years	441,458	274,155	201,044	261,715	1,178,372
Commercial loans	989,437	138,406	110,131	130,512	1,368,486
Small business loans	207,950	83,499	26,676	8,155	326,280
Consumer	712,714	7,578	4,626	21,730	746,648
Total loans	2,637,284	672,255	414,591	658,183	4,382,313
Investment securities					
Mortgage backed securities	210,711	133,679	79,576	263,626	687,592
Taxable investment securities	75,412	250		12,761	88,423
Tax certificates	213,534				213,534
Total investment securities	499,657	133,929	79,576	276,387	989,549
Total interest earning assets	3,136,941	806,184	494,167	934,570	5,371,862
Total non-earning assets				341,828	341,828

Table of Contents

BankAtlantic Repricing Gap Table
As of December 31, 2008

	1 Year or Less	3 Years or Less	5 Years or Less	More Than 5 Years	Total
Total assets	$ 3,136,941	806,184	494,167	1,276,398	5,713,690
Total interest bearing liabilities	$ 2,949,420	658,713	243,834	1,368,893	5,220,860
Non-interest bearing liabilities				492,830	492,830
Total non-interest bearing liabilities and equity	$ 2,949,420	658,713	243,834	1,861,723	5,713,690
GAP (repricing difference)	$ 187,521	147,471	250,333	(434,323)	
Cumulative GAP	$ 187,521	334,992	585,325	151,002	
Repricing Percentage	3.28%	2.58%	4.38%	-7.60%	
Cumulative Percentage	3.28%	5.86%	10.24%	2.64%	

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

BankAtlantic s residential loan portfolio includes $979.6 million of interest-only loans. These loans are scheduled to reprice as follows (in thousands):

Year Ending December 31,	Amount (1)
2009	$ 44,835
2010	41,413
2011	85,408
2012	81,191
2013	163,330
Thereafter	563,436
Total interest only loans	$ 979,613

(1) The above table assumes no prepayments.

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

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

The model calculates the change in net interest income by:

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

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

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

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

Certain assumptions by the Company in assessing the interest rate risk during 2008 were utilized in preparing the following table. These assumptions related to:

Interest rates,

Loan prepayment rates,

Deposit decay rates,

Re-pricing of certain borrowings

Reinvestment in earning assets.

Table of Contents

The prepayment assumptions used in the model are:

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

Deposit runoff assumptions used in the model are as follows:

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

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

As of December 31, 2008

Changes in Rate	Net Interest Income	Percent Change
+200 bp	$191,139	-3.99%
+100 bp	198,441	-0.32%
0	199,086	
-100 bp	196,893	-1.10%
-200 bp	193,138	-2.99%

As of December 31, 2007

Changes in Rate	Net Interest Income	Percent Change
+200 bp	$187,031	-7.96%
+100 bp	198,147	-2.38%
0	202,876	
-100 bp	203,331	0.23%
-200 bp	204,354	0.74%

BankAtlantic Bancorp has $294.2 million of outstanding junior subordinated debentures of which $237.1 million bear interest at variable interest rates and adjust quarterly and $57.1 million bear interest at an 8.5% fixed rate. As of December 31, 2008, $263.2 million of the junior subordinated debentures are callable and $30.9 million are callable in 2012.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Table of Contents

(This page is intentionally left blank)

Table of Contents

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness, as of December 31, 2008, of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008. PricewaterhouseCoopers LLP, an independent registered certified public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2008 as stated in its report which appears herein.

/s/ Alan B. Levan

Alan B. Levan
Chairman, and Chief Executive Officer

/s/ Valerie C. Toalson

Valerie C. Toalson
Executive Vice President
Chief Financial Officer

March 16, 2009

Report of Independent Registered Certified Public Accounting Firm

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

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of operations, stockholders equity and comprehensive income, and cash flows present fairly, in all material respects, the financial position of BankAtlantic Bancorp, Inc. and its subsidiaries (the Company) at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 16, 2009

Table of Contents

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

	December 31,	
(In thousands, except share data)	**2008**	**2007**
ASSETS		
Cash and due from depository institutions (See Note 21)	$ 127,780	118,943
Federal funds sold and other short-term investments (See Note 6)	31,177	5,631
Securities available for sale (at fair value) (See Notes 7,15,16)	701,845	925,363
Financial instruments accounted for at fair value (See Note 3, 25)		10,661
Investment securities at cost or amortized cost (approximate fair value: $2,503 and $44,688) (See Notes 3,8)	2,036	39,617
Tax certificates net of allowance of $6,064 and $3,289 (See Note 9)	213,534	188,401
Federal Home Loan Bank stock, at cost which approximates fair value (See Notes 14 and 21)	54,607	74,003
Residential loans held for sale (See Notes 10, 14)	3,461	4,087
Loans receivable, net of allowance for loan losses of $137,257 and $94,020 (See Notes 10,14,15,17)	4,323,190	4,520,101
Accrued interest receivable (See Note 11)	41,817	46,271
Real estate held for development and sale (See Note 27)	18,383	33,741
Real estate owned (See Note 10)	19,045	17,216
Investments in unconsolidated subsidiaries (See Note 28)	10,552	13,083
Office properties and equipment, net (See Note 12)	216,978	243,863
Deferred tax asset, net (See Note 19)		32,064
Goodwill (See Notes 1,5)	22,205	70,490
Core deposit intangible asset, net (See Note 1)	4,039	5,396
Other assets (See Notes 3,17, 20)	23,908	29,886
Total assets	$ 5,814,557	6,378,817
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits		
Interest bearing deposits	$ 3,184,677	3,129,194
Non-interest bearing deposits	741,691	824,211
Total deposits (See Note 13)	3,926,368	3,953,405
Advances from FHLB (See Note 14)	967,028	1,397,044
Securities sold under agreements to repurchase (See Note 16)	46,084	58,265
Federal funds purchased and other short term borrowings (See Note 15)	238,339	108,975
Subordinated debentures and mortgage-backed bonds (See Note 17)	22,864	26,654
Junior subordinated debentures (See Note 17)	294,195	294,195
Other liabilities (See Note 4)	75,711	80,958
Total liabilities	5,570,589	5,919,496
Commitments and contingencies (See Note 21)		
Stockholders equity:		

Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding		
Class A common stock, $.01 par value, authorized 80,000,000 shares; issued and outstanding 10,258,057 and 10,239,235 shares	103	103
Class B common stock, $.01 par value, authorized 45,000,000 shares; issued and outstanding 975,225 and 975,225 shares	10	10
Additional paid-in capital	218,974	217,140
Retained earnings	32,667	236,150
Total stockholders equity before accumulated other comprehensive (loss) income	251,754	453,403
Accumulated other comprehensive (loss) income	(7,786)	5,918
Total stockholders equity	243,968	459,321
Total liabilities and stockholders equity	$ 5,814,557	6,378,817

See Notes to Consolidated Financial Statements

F-5

Table of Contents

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
(In thousands, except share and per share data)	**2008**	**2007**	**2006**
Interest income:			
Interest and fees on loans	$ 247,222	313,998	312,960
Interest and dividends on taxable securities	45,127	28,631	23,640
Interest on tax exempt securities	14	12,700	15,289
Interest on tax certificates	22,153	16,304	15,288
Total interest income	314,516	371,633	367,177
Interest expense:			
Interest on deposits (See Note 13)	64,263	84,476	58,959
Interest on advances from FHLB	50,942	73,256	66,492
Interest on securities sold under agreements to repurchase and short-term borrowings	2,485	9,573	15,089
Interest on secured borrowings			2,401
Interest on subordinated debentures, bonds and junior subordinated debentures	22,995	25,552	25,045
Capitalized interest on real estate development			(929)
Total interest expense	140,685	192,857	167,057
Net interest income	173,831	178,776	200,120
Provision for loan losses (See Note 10)	159,801	70,842	8,574
Net interest income after provision for loan losses	14,030	107,934	191,546
Non-interest income:			
Service charges on deposits	93,905	102,639	90,472
Other service charges and fees	28,959	28,950	27,542
Securities activities, net (See Note 7)	2,039	8,412	9,813
Income from unconsolidated subsidiaries (See Note 28)	2,109	2,500	1,667
Gains associated with debt redemption (See Note 14)			1,528
(Losses) gains on dispositions of office properties and equipment, net	(213)	(1,121)	1,627
Other	10,765	10,452	9,967
Total non-interest income	137,564	151,832	142,616
Non-interest expense:			
Employee compensation and benefits (See Notes 18,20)	128,897	151,178	150,804
Occupancy and equipment (See Note 12)	64,782	65,851	57,308
Advertising and promotion	16,335	20,002	35,067
Check losses	8,767	11,476	8,615
Professional fees	12,761	8,690	8,291
Supplies and postage	4,662	6,146	6,853
Telecommunication	4,452	5,571	4,785

Cost associated with debt redemption (See Note 14)	1,238		1,457
Provision for tax certificates (See Note 9)	7,286	300	300
Restructuring charges and exit activities (See Note 4)	7,395	8,351	
Impairment of goodwill (See Note 5)	48,284		
Impairment of real estate held for sale (See Note 27)	1,169	5,240	
Impairment of real estate owned (See Note 10)	1,465	7,299	9
Other	30,856	27,246	26,697
Total non-interest expense	338,349	317,350	300,186
(Loss) income from continuing operations before income taxes	(186,755)	(57,584)	33,976
Provision (benefit) for income taxes (See Note 19)	32,489	(27,572)	7,097
(Loss) income from continuing operations	(219,244)	(30,012)	26,879
Discontinued operations (less applicable income taxes (benefit) of ($0), ($4,124) and ($8,001) (See Note 3, 19)	16,605	7,812	(11,492)
Net (loss) income	$ (202,639)	(22,200)	15,387

(CONTINUED)

See Notes to Consolidated Financial Statements

F-6

Table of Contents

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2008	2007	2006
Basic (loss) earnings per share (See Note 26)			
Continuing operations	$ (19.53)	$ (2.58)	$ 2.20
Discontinued operations	1.48	0.67	(0.94)
Basic (loss) earnings per share	$ (18.05)	$ (1.91)	$ 1.26
Diluted (loss) earnings per share (See Note 26)			
Continuing operations	$ (19.53)	$ (2.58)	$ 2.15
Discontinued operations	1.48	0.67	(0.92)
Diluted (loss) earnings per share	$ (18.05)	$ (1.91)	$ 1.23
Cash dividends per Class A share	$ 0.075	$ 0.640	$ 0.790
Cash dividends per Class B share	$ 0.075	$ 0.640	$ 0.790
Basic weighted average number of common shares outstanding	11,225,580	11,632,313	12,219,092
Diluted weighted average number of common and common equivalent shares outstanding	11,225,580	11,632,313	12,512,640

See Notes to Consolidated Financial Statements

F-7

Table of Contents

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
For Each of the Years in the Three Year Period Ended December 31, 2008

(In thousands)	Compre-hensive Income	Common Stock	Addi-tional Paid-in Capital	Retained Earnings	Unearned Compen-sation Restricted Stock Grants	Accumul-ated Other Compre-hensive loss	Total
BALANCE, DECEMBER 31, 2005		$ 122	262,206	261,279	(936)	(6,335)	516,336
Cumulative effect adjustment upon adoption of Staff Accounting Bulletin No. 108 (SAB No. 108) (less tax benefit of $1,193)				(1,899)			(1,899)
Cumulative effect adjustment upon adoption of Statement of Financial Accounting Standards No. 123R			(936)		936		
Net income	$ 15,387			15,387			15,387
Other comprehensive income (loss), net of tax:							
Unfunded pension liability (less income tax expense of $1,395)	1,594						
Unrealized gain on securities available for sale (less income tax expense of $5,272)	10,235						
Reclassification adjustments:							
Realized net periodic pension costs (less income tax benefit of $171)	(195)						
Realized gains on securities available for sale (less income tax expense of $3,336)	(6,477)						
	5,157					5,157	5,157

Other comprehensive income							
Comprehensive income	$ 20,544						
Dividends on Class A common stock				(8,908)			(8,908)
Dividends on Class B common stock				(770)			(770)
Issuance of Class A common stock upon exercise of stock options		3	6,025				6,028
Tax effect relating to share-based compensation			3,719				3,719
Retirement of Class A common stock relating to exercise of stock options		(1)	(7,265)				(7,266)
Purchase and retirement of Class A common stock		(1)	(7,832)				(7,833)
Share based compensation expense			5,031				5,031
BALANCE, DECEMBER 31, 2006		$ 123	260,948	265,089		(1,178)	524,982

(CONTINUED)

See Notes to Consolidated Financial Statements

F-8

Table of Contents

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
For Each of the Years in the Three Year Period Ended December 31, 2008

(In thousands)	Compre-hensive Income (Loss)	Common Stock	Addi-tional Paid-in Capital	Retained Earnings	Accumul-ated Other Compre-hensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2006		$ 123	260,948	265,089	(1,178)	524,982
Other comprehensive income (loss), net of tax:						
Net loss	$ (22,200)			(22,200)		(22,200)
Prepaid pension asset (less income tax expense of $271)	431					
Unrealized gain on securities available for sale (less income tax expense of $6,618)	11,240					
Reclassification adjustments:						
Realized net periodic pension income (less income tax expense of $92)	147					
Realized gains on securities available for sale (less income tax expense of $2,781)	(4,722)					
Other comprehensive income	7,096				7,096	7,096
Comprehensive loss	$ (15,104)					
Dividends on Class A common stock				(6,815)		(6,815)
Dividends on Class B common stock				(624)		(624)
Cumulative effect adjustment upon adoption of FASB Interpretation No. 48				700		700
Issuance of Class A common stock upon		1	2,448			2,449

exercise of stock options					
Tax effect relating to share-based compensation		1,265			1,265
Purchase and retirement of Class A common stock	(11)	(53,758)			(53,769)
Share based compensation expense		6,237			6,237
BALANCE, DECEMBER 31, 2007	$ 113	217,140	236,150	5,918	459,321

(CONTINUED)

See Notes to Consolidated Financial Statements

F-9

Table of Contents

BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
For Each of the Years in the Three Year Period Ended December 31, 2008

(In thousands)	Comprehensive Income (Loss)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE, DECEMBER 31, 2007		$ 113	217,140	236,150	5,918	459,321
Net loss	$ (202,639)			(202,639)		(202,639)
Pension liability (less income tax expense of $2,112)	(16,023)					
Unrealized gain on securities available for sale (less income tax benefit of $5,417)	1,569					
Reclassification adjustments:						
Realized net periodic pension income (less income tax expense of $0)	248					
Realized loss on securities available for sale (less income tax expense of $0)	502					
Other comprehensive loss	(13,704)				(13,704)	(13,704)
Comprehensive loss	$ (216,343)					
Dividends on Class A common stock				(770)		(770)
Dividends on Class B common stock				(74)		(74)
Issuance of Class A common stock upon exercise of stock options			103			103
Tax effect relating to share-based compensation			(42)			(42)
Share based compensation expense			1,773			1,773
BALANCE, DECEMBER 31, 2008		$ 113	218,974	32,667	(7,786)	243,968

See Notes to Consolidated Financial Statements - Unaudited

Table of Contents

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

	For the Years Ended December 31,		
(In thousands)	**2008**	**2007**	**2006**
Operating activities:			
Net (loss) income	$ (202,639)	$ (22,200)	$ 15,387
Adjustment to reconcile net (loss) income to net cash provided by operating activities:			
Provision and valuation allowances, net (1)	168,552	78,441	8,883
Impairment of goodwill	48,284		
Restructuring charges, impairments and exit activities	8,564	13,591	
Cumulative effect adjustments		700	(1,899)
Depreciation, amortization and accretion, net	21,019	18,451	28,126
Share-based compensation expense	1,773	6,237	5,068
Tax benefits from share-based compensation		(1,265)	(3,719)
Securities activities, net	(2,039)	(8,412)	(9,813)
Net losses (gains) on sales of real estate owned, real estate and loans held for sale and office properties and equipment	72	201	(3,750)
Net gain on sale of Ryan Beck Holdings, Inc		(16,373)	
Deferred income tax provision (benefit)	35,370	(22,855)	(3,550)
Net losses (gains) associated with debt redemption	1,238		(71)
Increase in forgivable notes receivable, net		(673)	(6,111)
Originations of loans held for sale, net	(59,323)	(90,745)	(93,887)
Proceeds from sales of loans held for sale	53,564	96,470	87,793
Decrease (increase) in real estate held for development and sale	11,382	56	(3,703)
(Increase) decrease in securities owned, net		(23,855)	67,910
Increase (decrease) in securities sold but not yet purchased		28,419	(3,770)
Decrease (increase) in accrued interest receivable	4,454	1,402	(6,183)
Decrease (increase) in other assets	4,675	(10,957)	(1,943)
Increase (decrease) in due to clearing agent		9,657	(40,115)
Decrease in other liabilities	(19,499)	(15,362)	(31,294)
Net cash provided by operating activities	75,447	40,928	3,359

(CONTINUED)

See Notes to Consolidated Financial Statements

Table of Contents

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

	For the Years Ended December 31,		
(In thousands)	**2008**	**2007**	**2006**
Investing activities:			
Proceeds from redemption and maturities of investment securities and tax certificates	349,397	208,345	199,482
Purchase of investment securities and tax certificates	(368,383)	(211,307)	(236,952)
Purchase of securities available for sale	(254,263)	(682,231)	(143,272)
Proceeds from sales and maturities of securities available for sale	521,510	717,603	181,434
Purchases of FHLB stock	(47,655)	(22,725)	(49,950)
Redemption of FHLB stock	67,051	28,939	39,664
Investments in unconsolidated subsidiaries		(5,923)	(7,159)
Distributions from unconsolidated subsidiaries	2,531	7,889	4,549
Net repayments (purchases and originations) of loans	23,285	(2,173)	(105,900)
Proceeds from the sale of loans receivable	10,100		
Additions to real estate owned	(19)	(2,011)	
Proceeds from sales of real estate owned	3,810	2,252	4,382
Proceeds from the sale of property and equipment	1,105	939	35
Purchases of office property and equipment, net	(11,483)	(64,291)	(92,204)
Proceeds from the sale of equity securities from Ryan Beck Holdings, Inc. earnout	(11,309)		
Net cash outflow from sale of central Florida stores	(4,491)		
Net proceeds from the sale of Ryan Beck Holdings, Inc.		2,628	
Net cash provided (used in) by investing activities	281,186	(22,066)	(205,891)
Financing activities:			
Net (decrease) increase in deposits	(3,482)	86,369	114,360
Prepayments of FHLB advances	(694,363)		
Net proceeds (repayments) of FHLB advances	262,808	(120,000)	233,656
Net decrease in securities sold under agreements to repurchase	(12,181)	(43,667)	(14,094)
Net increase (decrease) in federal funds purchased	129,364	76,949	(107,449)
Repayments of secured borrowings			(26,516)
Prepayments of bonds payable	(2,751)		
Repayment of notes and bonds payable	(904)	(3,269)	(14,169)
Proceeds from notes and bonds payable			5,000
Capital contributions in managed fund by investors			2,905
Capital withdrawals in managed fund by investors			(4,203)
Excess tax benefits from share-based compensation		1,265	3,719
Proceeds from issuance of Class A common stock	103	2,449	1,479
Proceeds from the issuance of junior subordinated debentures		30,929	
Payment of the minimum withholding tax upon the exercise of stock options			(2,717)
Purchase and retirement of Class A common stock		(53,769)	(7,833)
Dividends paid	(844)	(7,439)	(9,678)
Net cash (used in) provided by financing activities	(322,250)	(30,183)	174,460

Increase (decrease) in cash and cash equivalents	34,383	(11,321)	(28,072)
Cash and cash equivalents at the beginning of period	124,574	138,904	170,261
Cash and cash equivalents of discontinued operations assets held for sale at disposal date		(6,294)	
Cash and cash equivalents of discontinued assets held for sale		3,285	(3,285)
Cash and cash equivalents at end of period	$ 158,957	$ 124,574	$ 138,904

(CONTINUED)

See Notes to Consolidated Financial Statements

F-12

Table of Contents

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

	For the Years Ended December 31,		
(In thousands)	2008	2007	2006
Cash paid for:			
Interest on borrowings and deposits	$142,067	$191,230	$166,467
Income taxes (refunded) paid	(14,389)	853	22,630
Supplementary disclosure of non-cash investing and financing activities:			
Loans and tax certificates transferred to REO	7,208	2,528	23,728
Securities held-to-maturity transferred to securities available for sale		203,004	
Long-lived assets held-for-use transferred to assets held for sale		13,704	
Reduction in loan participations sold accounted for as secured borrowings			111,754
Exchange of branch facilities			2,350
Change in accumulated other comprehensive income	(13,704)	7,096	5,157
Change in deferred taxes on other comprehensive income	(3,304)	4,200	3,161
Securities purchased pending settlement		18,926	
Issuance and retirement of Class A common stock accepted as consideration for the exercise price of stock options			4,549

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

See Notes to Consolidated Financial Statements

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

1. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation BankAtlantic Bancorp, Inc. (the Company) is a unitary savings bank holding company organized under the laws of the State of Florida in 1994. The Company s principal asset is its investment in BankAtlantic and its subsidiaries. On February 28, 2007, the Company completed the sale to Stifel Financial Corp. (Stifel) of Ryan Beck Holdings, Inc. (Ryan Beck), a subsidiary engaged in retail and institutional brokerage and investment banking. As a consequence of the sale of Ryan Beck to Stifel, the results of operations of Ryan Beck are presented as Discontinued Operations in the Consolidated Statement of Operations for the years ended December 31, 2007 and 2006. The financial information of Ryan Beck is included in the Consolidated Statement of Stockholders Equity and Comprehensive Income and Consolidated Statement of Cash Flows for years ended December 31, 2007 and 2006. Discontinued operations in 2008 represent Ryan Beck earn-out consideration recognized during the year ended December 31, 2008.

BankAtlantic was founded in 1952 and is a federally-chartered, federally-insured savings bank headquartered in Fort Lauderdale, Florida. At December 31, 2008, BankAtlantic operated through a network of over 100 branches located in Florida. BankAtlantic is a community-oriented bank which provides traditional retail banking services and a wide range of commercial banking products and related financial services.

Liquidity BankAtlantic s liquidity depends on its ability to maintain or increase deposit levels and availability under its lines of credit, federal funds, Treasury and Federal Reserve programs. Additionally, interest rate changes or disruptions in the capital markets may make terms of the borrowings and deposits less favorable. As a result, there is a risk that our cost of fundings will increase. As of December 31, 2008, BankAtlantic had available unused borrowings of approximately $1.0 billion in connection with its FHLB line of credit, federal funds lines, and Treasury and Federal Reserve programs. However, such available borrowings are subject to periodic reviews and they may be terminated or limited at any time.

Regulatory Capital As of December 31, 2008, BankAtlantic was considered a well capitalized institution with actual capital amounts and ratios exceeding all well capitalized amounts and ratios. However, the OTS, at its discretion, can at any time require an institution to maintain capital amounts and ratios above the established well capitalized requirements based on its view of the risk profile of the specific institution. If higher capital requirements are imposed, BankAtlantic could be required to raise additional capital. There is no assurance that BankAtlantic will continue to be deemed well capitalized , that additional capital will not be necessary, or that BankAtlantic would be successful in raising additional capital in subsequent periods. The Company s inability to raise capital or remain well capitalized could have a material adverse impact on the Company s financial condition and results.

The Company has two classes of common stock. Holders of the Class A common stock are entitled to one vote per share, which in the aggregate represents 53% of the combined voting power of the Class A common stock and the Class B common stock. Class B common stock represents the remaining 47% of the combined vote. BFC Financial Corporation (BFC) currently owns 100% of the Company s Class B common stock and 23% of the Company s outstanding Class A common stock resulting in BFC owning 30% of the Company s aggregate outstanding common stock. The percent of total common equity represented by Class A and Class B common stock was 91% and 9% at December 31, 2008, respectively. The fixed voting percentages will be eliminated, and shares of Class B common stock will be entitled to only one vote per share from and after the date that BFC or its affiliates no longer own in the aggregate at least 487,613 shares of Class B common stock (which is one-half of the number of shares it now owns). Class B common stock is convertible into Class A common stock on a share for share basis.

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

On September 26, 2008, the Company completed a one-for-five reverse stock split. All shares, per share, and stockholders equity data have been adjusted to reflect the reverse stock split.

Certain amounts for prior years have been reclassified to conform to revised statement presentation for 2008.

Use of Estimates In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statements of financial condition and operations for the periods presented. Actual results could differ

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

significantly from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, evaluation of goodwill, intangible and long-lived assets for impairment, valuation of securities, evaluation of securities for impairment and other than temporary declines in value, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the amount of the deferred tax asset valuation allowance, accounting for uncertain tax positions, accounting for contingencies, and accounting for share-based compensation.

Consolidation Policy The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, and majority-owned subsidiaries. No gains and losses are recorded on the issuance of subsidiary common stock. All inter-company transactions and balances have been eliminated.

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

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

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

Declines in the value of individual held to maturity and available for sale securities that are considered other than temporary result in write-downs in earnings through securities activities, net of the individual securities to their fair value. The review for other-than-temporary declines takes into account the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery.

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

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

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

Financial instruments and derivatives All derivatives are recognized on the consolidated statement of financial condition at their fair value with realized and unrealized gains and losses resulting from fair value adjustments recorded in securities activities, net on the consolidated statement of operations. If the Company elects hedge accounting, the hedging instrument must be highly effective in achieving offsetting changes in the hedge instrument and hedged item attributable to the risk being hedged. Any ineffectiveness which arises during the hedging relationship is recognized in earnings in the Company s consolidated statements of operations. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively. Financial instruments represent warrants to acquire Stifel Common Stock and are accounted for as derivatives. There were no derivatives outstanding as of December 31, 2008.

Tax Certificates Tax certificates represent a priority lien against real property for which assessed real estate taxes are delinquent. Tax certificates are carried at cost less allowance for tax certificate losses.

Allowance for Tax Certificate Losses The allowance represents management s estimate of incurred losses in the

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

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

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

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

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

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

Allowance for Loan Losses The allowance for loan losses reflects management s estimate of probable incurred credit losses in the loan portfolios. The allowance is the amount considered adequate to absorb losses inherent in the loan portfolio based on management s evaluation of credit risk as of period end. Loans are charged off against the allowance when management believes the loan is not collectible. Recoveries are credited to the allowance.

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

The second component of the allowance is for homogenous loans in which groups of loans with common characteristics are evaluated to estimate the inherent losses in the portfolio. Management segregates homogenous loans into groups with certain common characteristics so as to form a basis for estimating losses as it relates to the group. The allowance for homogenous loans has a quantitative amount and a qualitative amount. The methodology for the quantitative component is based on charge-off history by loan type adjusted by an expected recovery rate. A reasonable time frame is selected for charge-off history in order to track a loan s performance from the event of loss through the recovery period. The methodology for the qualitative component is determined by considering the following factors: (1) delinquency and charge-off levels and trends; (2) problem loans and non-accrual levels and trends; (3) lending policy and underwriting procedures; (4) lending management and staff; (5) nature and volume of portfolio; (6) economic and business conditions; (7) concentration of credit; (8) quality of loan review system; and (9) external factors. Based on an analysis of the above factors, a qualitative amount is assigned to each loan product.

Non-performing Loans A loan is generally placed on non-accrual status at the earlier of (i) the loan becoming past due 90 days as to either principal or interest or (ii) when the borrower has entered bankruptcy proceedings and the loan is delinquent. Exceptions to placing 90-day past due loans on non-accrual may be made if there exists well secured collateral and the loan is in the process of collection. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. A loan may be placed on non-accrual status due to material deterioration of

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

conditions surrounding the repayment sources, which could include insufficient borrower capacity to service the debt, delayed property sales or development schedules, declining loan-to-value of the loan s collateral or other factors causing the full payment of the loan s principal and interest to be in doubt. Accordingly, the Company may place a loan on non-accrual status even where payments of principal or interest are not currently in default. When a loan is placed on non-accrual status, interest accrued but not received is reversed against interest income. A non-accrual loan may be restored to accrual status when delinquent loan payments are collected and the loan is expected to perform in the future according to its contractual terms. Interest income on performing impaired loans is recognized on an accrual basis and the cost-recovery method is used for cash receipts on non-accrual loans without specific reserves. Interest income on non-accrual loans with specific reserves is recognized on a cash basis.

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

Real Estate Owned (REO) REO is recorded at the lower of cost or estimated fair value, less estimated selling costs when acquired. Write-downs required at the time of acquisition are charged to the allowance for loan losses or allowance for tax certificates. Expenditures for capital improvements are generally capitalized. Real estate acquired in settlement of loans or tax certificates is anticipated to be sold and valuation allowance adjustments are made to reflect any subsequent declines in fair values. The costs of holding REO are charged to operations as incurred. Provisions and reversals in the REO valuation allowance are reflected in operations.

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

Inventory costs include direct acquisition, development and construction costs, interest and other indirect construction costs. Land and indirect land development costs are accumulated by specific area and allocated proportionately to various housing units within the respective area based upon the most practicable method, including specific identification and allocation based upon the unit method. Direct construction costs are assigned to housing units based on specific identification. All other capitalized costs are accumulated and are allocated to those housing units based upon the unit method. Other capitalized costs consist of capitalized interest, real estate taxes, tangible selling costs, local government fees and field overhead incurred during the development and construction period. Start-up costs and selling expenses are expensed as incurred. There were no housing units in inventory as of December 31, 2008.

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

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

Goodwill and Other Intangible Assets Goodwill is recorded at the acquisition date of a business. Goodwill is tested for impairment at the reporting unit level annually or at interim periods if events occur subsequent to the annual test date that would result in a decline in the fair value of the reporting units. Our reporting units are businesses for which discrete financial information is available for managers. BankAtlantic s reporting units are: Community

Banking, Commercial Lending, Tax Certificates Operations, Capital Services and Investment Operations. Goodwill testing is a two-step process. The first step of the goodwill impairment test is used to identify potential impairment. This step compares the fair value of the reporting unit with its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not impaired and the second step of the impairment test is not necessary. If the fair value of the reporting unit is less than the carrying value, then the second step of the test is used to measure the amount of goodwill impairment, if any, in

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

the reporting unit. This step compares the current implied goodwill in the reporting unit to its carrying amount. If the carrying amount of the goodwill exceeds the implied goodwill, impairment is recorded for the excess. The implied goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined.

Other intangible assets consist of core deposit intangible assets which were initially recorded at fair value and then amortized on an accelerated basis over a useful life of ten years. The accumulated amortization on core deposit intangible assets was $11.1 million at December 31, 2008.

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

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

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

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

Accounting for Costs Associated with Exit or Disposal Activities Cost to terminate a lease contract before the end of its term are recognized and measured when the Company gives notice to the counterparty in accordance with the contract s contractual terms or has negotiated a termination of the contract with the counterparty. Contracts that have not been terminated and have no economic benefit to the Company are measured at fair value.

Advertising Advertising expenditures are expensed as incurred.

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

The Company recognizes a liability for uncertain tax positions. An uncertain tax position is defined as a position in a previously filed tax return or a position expected to be taken in a future tax return that is not based on clear and unambiguous tax law and which is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods. The Company must recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized based on the largest benefit that has a greater than 50% likelihood of

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

being realized upon ultimate resolution. The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes.

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

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

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

Stock-Based Compensation Plans Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified prospective transition method. Under this transition method, share-based compensation expense for each of the years in the three year period ended December 31, 2008, includes compensation expense for all share-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). Share-based compensation expense for all stock-based compensation awards granted after January 1, 2006, is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of five years, except for options granted to directors which vest immediately.

New Accounting Pronouncements:

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

Also included in the statement are a substantial number of new disclosure requirements. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company adopted the Statement as of January 1, 2009. The adoption of SFAS No. 141(R) did not have an impact on the Company s financial statements.

In December 2007, FASB issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51* (SFAS 160). SFAS 160 established new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the income statement. SFAS 160 clarifies that changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company adopted the Statement as of January 1, 2009. The adoption of SFAS No. 160 did not have an impact on the Company s financial statements.

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

In March 2008, FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). This standard is intended to improve financial reporting by requiring transparency about the location and amounts of derivative instruments in an entity s financial statements; how derivative instruments and related hedged items are accounted for under SFAS 133; and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS 161 is effective for the first quarter of 2009. This Statement expands derivative disclosure. The company believes that the adoption of SFAS 161 will not have a material impact on the Company s financial statements.

In September 2008, the FASB ratified EITF Issue No. 08-5, Issuer s Accounting for Liabilities Measured at Fair Value With a Third-Party Credit Enhancement (EITF 08-5). EITF 08-5 provides guidance for measuring liabilities issued with an attached third-party credit enhancement (such as a guarantee). It clarifies that the issuer of a liability with a third-party credit enhancement (such as a guarantee) should not include the effect of the credit enhancement in the fair value measurement of the liability. EITF 08-5 is effective for the first reporting period beginning after December 15, 2008. The Company is evaluating the impact that the adoption of EITF 08-5 will have on the Company s consolidated financial statements.

In June, 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities, (FSP EITF 03-6-1). The Staff Position provides that unvested share-based payment awards that contain no forfeitable rights to dividends or dividend equivalents are participating securities and must be included in the earnings per share computation. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period earnings per share data presented must be adjusted retrospectively. Early application is not permitted. The adoption of EITF 03-06-1 did not have an impact on the Company s financial statements.

In September 2008, FASB issued FASB Staff Position (FSP) 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 , in order to enhance the disclosure requirements for derivative instruments and certain guarantees to reflect the potential adverse effects of changes in credit risk on financial statements of sellers of credit derivatives and certain guarantees. The FSP requires the seller of credit derivatives to disclose: the nature of the credit derivative, the maximum potential amount of future payments, the fair value of the derivative and the nature of any recourse provisions that would enable recovery from third parties. The FSP amends FIN 45 to require disclosure of the current status of the payment/performance risk of the guarantee. FSP 133-1 and FIN 45-4 is effective for reporting periods ending after November 15, 2008. The Company does not believe that this FSP will have a material effect on the Company s financial statements.

In October 2008, FASB issued FASB Staff Position (FSP) 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3) , in response to the deterioration of the credit markets. This FSP provides guidance clarifying how SFAS 157 should be applied when valuing securities in markets that are not active. The guidance provides an illustrative example that applies the objectives and framework of SFAS 157, utilizing management s internal cash flow and discount rate assumptions when relevant observable data do not exist. It further clarifies how observable market information and market quotes should be considered when measuring fair value in an inactive market. It reaffirms the notion of fair value as an exit price as of the measurement date and that fair value analysis is a transactional process and should not be broadly applied to a group of assets. FSP 157-3 is effective upon issuance including prior periods for which financial statements have not been issued. The implementation of FSP 157-3 had no material effect on the methodologies used to fair value the Company s assets under the original SFAS 157.

In January 2009, the FASB issued FSP EITF 99-20-1, Amendment to impairment guidance of EITF 99-20. This EITF applies to beneficial interests in securitized financial assets. The amendment requires impairment on beneficial interests to be measured only if it is probable that there has been an adverse change in estimated cash flows. EITF 99-20 required impairment to be measured when there was an adverse change in cash flows as viewed by a market participant. The FSP is effective for annual periods ending after December 15, 2008. The Company does not hold debt securities that are within the scope of EITF 99-20.

2. Cumulative-Effect Adjustment for Quantifying Financial Statement Misstatements

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, (SAB No. 108) which established an approach to quantify errors in financial statements. SAB No. 108 permitted companies to initially apply its provisions by either restating prior period financial statements or recording the cumulative

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

effect of adjusting assets and liabilities as of January 1, 2006 as an offsetting adjustment to the opening balance of retained earnings.

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

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

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

year.

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

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

$ 1,474	$ 568	$ 906

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

3. Discontinued Operations and Sale of Ryan Beck

On February 28, 2007, the Company sold Ryan Beck to Stifel. Under the terms of the sales agreement, the Company and several employees of Ryan Beck who held options to acquire Ryan Beck common stock exchanged their entire interest in Ryan Beck common stock and options to acquire Ryan Beck common stock for an aggregate of 3,701,400 shares of Stifel common stock, cash of $2.7 million and five-year warrants to purchase an aggregate of 750,000 shares of Stifel common stock at an exercise price of $24.00 per share (the Warrants). Of the total Ryan Beck sales proceeds, the Company s portion was 3,566,031 shares of Stifel common stock, cash of $2.6 million and Warrants to acquire an aggregate of 722,586 shares of Stifel common stock. The Company sold its entire investment in 3,566,031 shares of Stifel common stock and warrants to acquire 722,586 shares of Stifel common stock during the year ended December 31, 2008 and recognized a gain of $2.8 million.

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

As of December 31, 2007, the Company owned approximately 17% of the issued and outstanding shares of Stifel common stock and did not have the ability to exercise significant influence over Stifel s operations. As such, the Company s investment in Stifel common stock was accounted for under the cost method of accounting. Stifel common stock that could be sold within one year was accounted for as securities available for sale and Stifel common stock which was subject to restrictions on sale for more than one year was accounted for as investment securities at cost. The warrants were accounted for as derivatives with unrealized gains and losses resulting from changes in the fair value of the warrants recorded in securities activities, net. Included in the Company s Consolidated Statement of Financial Condition as of December 31, 2007, under securities available for sale and investment securities at cost were $72.6 million and $31.4 million, respectively, of Stifel common stock, and included in financial instruments at fair value was $10.6 million of warrants.

The Stifel sales agreement provided for contingent earn-out payments, payable in cash or shares of Stifel common stock, at Stifel s election, based on (a) defined Ryan Beck private client revenues during the two-year period immediately following the Ryan Beck sale up to a maximum of $40.0 million and (b) defined Ryan Beck investment banking revenues equal to 25% of the amount that such revenues exceed $25.0 million during each of the two twelve-month periods immediately following the Ryan Beck sale.

Included in the Company s Consolidated Statement of Operations in discontinued operations during the year ended December 31, 2008 was $16.6 million of earn-out consideration. Ryan Beck s investment banking revenues exceeded $25 million during the first twelve months subsequent to the sale and the Company received additional consideration of 55,016 shares of Stifel common stock valued at $1.7 million. The Company recognized additional earn-out consideration of $14.9 million as private client revenues exceeded the defined amounts as of December 31, 2008. The additional consideration associated with the private client revenues was pursuant to the parties agreement to be payable by April 15, 2009 in cash or Stifel stock. However, during 2008, the Company and Stifel entered into an amendment to the merger agreement whereby Stifel agreed to prepay $10.0 million of the Ryan Beck private client group earn-out payment for a discounted payment of $9.6 million. The Company received 233,500 shares of Stifel common stock in consideration for the $9.6 million advance earn-out payment. The remaining potential contingent earn-out payments, if any, will be accounted for when earned as additional proceeds from the sale of Ryan Beck and included in the Company s Consolidated Statements of Operations as discontinued operations.

The Company sold the 288,516 shares of Stifel common stock received in connection with the investment banking earn-out agreement and the private client earn-out advance payment during the year ended December 31, 2008. Included in other assets in the Company s statement of financial condition as of December 31, 2008 was a $5.1 million receivable from Stifel associated with the private client revenue earn-out agreement.

The gain on the sale of Ryan Beck included in the Consolidated Statement of Operations in Discontinued operations for the year ended December 31, 2007, was as follows (in thousands):

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

Provision for income taxes	1,592
Net gain on sale of Ryan Beck	$ **16,373**

Table of Contents

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

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

	For the Years Ended December 31,	
	2007	2006
Investment banking revenues	$ 37,836	218,461
Non-interest expenses		
Employee compensation and benefits	27,532	170,605
Occupancy and equipment	2,984	16,588
Advertising and promotion	740	5,788
Transaction related costs (1)	14,263	
Professional fees	1,106	8,790
Communications	2,255	15,187
Floor broker and clearing fees	1,162	8,612
Interest expense	985	5,995
Other	1,086	6,389
Total non-interest expenses	52,113	237,954
Loss from Ryan Beck discontinued operations before income taxes	(14,277)	(19,493)
Benefit for income taxes	(5,716)	(8,001)
Loss from Ryan Beck discontinued operations, net of tax	$ (8,561)	(11,492)

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

4. Restructuring Charges, Impairments and Exit Activities

The following provides the change in restructuring and exit activities liabilities at December 31, 2007 and 2008 (in thousands):

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

Employee
Termination

	Benefits Liability	Contract Liability	Total Liability
Balance at January 1, 2008	$ 102	990	1,092
Expense incurred	2,171	2,385	4,556
Amounts paid or amortized	(2,102)	(1,913)	(4,015)
Balance at December 31 , 2008	$ 171	1,462	