

BANKATLANTIC BANCORP INC

Form 10-Q

August 09, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

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

**For the quarterly period ended June 30, 2006  
OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 34-027228  
BankAtlantic Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

**Florida**

(State or other jurisdiction of  
incorporation or organization)

**65-0507804**

(I.R.S. Employer  
Identification No.)

**2100 West Cypress Creek Road  
Fort Lauderdale, Florida**

(Address of principal executive offices)

**33309**

(Zip Code)

**(954) 940-5000**

(Registrant's telephone number, including area code)

**Not Applicable**

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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

<b>Title of Each Class</b>	<b>Outstanding at August 2, 2006</b>
Class A Common Stock, par value \$0.01 per share	56,473,034
Class B Common Stock, par value \$0.01 per share	4,876,124



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

(In thousands, except share data)	<b>June 30,</b> <b>2006</b>	<b>December</b> <b>31,</b> <b>2005</b>	<b>June 30,</b> <b>2005</b>
<b>ASSETS</b>			
Cash and due from depository institutions	\$ 163,394	\$ 167,032	\$ 159,173
Federal funds sold and other short-term investments	1,263	3,229	5,783
Securities owned (at fair value)	174,657	180,292	109,095
Securities available for sale (at fair value)	662,304	674,544	749,188
Investment securities and tax certificates (approximate fair value: \$411,117, \$364,122 and \$403,951)	415,127	364,444	402,430
Federal Home Loan Bank stock, at cost which approximates fair value	62,667	69,931	88,362
Loans receivable, net of allowance for loan losses of \$42,012, \$41,192 and \$43,650	4,478,427	4,622,234	4,961,119
Residential loans held for sale	6,337	2,538	7,785
Accrued interest receivable	42,655	41,490	41,270
Real estate held for development and sale	23,585	21,177	23,982
Investments in unconsolidated subsidiaries	11,996	12,464	7,910
Office properties and equipment, net	187,283	154,120	135,012
Deferred tax asset, net	35,235	29,615	22,636
Goodwill	76,674	76,674	76,674
Core deposit intangible asset	7,608	8,395	9,197
Due from clearing agent	3,963		22,091
Other assets	49,182	43,232	61,344
<b>Total assets</b>	<b>\$ 6,402,357</b>	<b>\$ 6,471,411</b>	<b>\$ 6,883,051</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Liabilities:</b>			
Deposits			
Demand	\$ 1,119,604	\$ 1,019,949	\$ 1,039,611
NOW	747,437	755,708	660,633
Savings	372,212	313,889	302,677
Money market	740,192	846,441	899,364
Certificates of deposits	855,561	816,689	789,533
<b>Total deposits</b>	<b>3,835,006</b>	<b>3,752,676</b>	<b>3,691,818</b>
Advances from FHLB	1,127,065	1,283,532	1,695,265
Securities sold under agreements to repurchase	196,099	116,026	246,360
Federal funds purchased and other short term borrowings	224,322	139,475	109,500
Secured borrowings		138,270	165,375
Subordinated debentures, notes and bonds payable	37,378	39,092	35,232
Junior subordinated debentures	263,266	263,266	263,266

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Securities sold but not yet purchased	39,173	35,177	28,184
Due to clearing agent	38,730	24,486	
Other liabilities	120,617	163,075	137,657
<b>Total liabilities</b>	<b>5,881,656</b>	<b>5,955,075</b>	<b>6,372,657</b>
Commitments and contingencies (See note 12)			
<b>Stockholders equity:</b>			
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 56,338,922, 55,884,089 and 55,766,653 shares	564	559	558
Class B common stock, \$.01 par value, authorized 45,000,000 shares; issued and outstanding 4,876,124, 4,876,124, and 4,876,124 shares	49	49	49
Additional paid-in capital	261,325	261,720	260,829
Unearned compensation restricted stock grants		(936)	(916)
Retained earnings	271,450	261,279	251,129
<b>Total stockholders equity before accumulated other comprehensive loss</b>	<b>533,388</b>	<b>522,671</b>	<b>511,649</b>
Accumulated other comprehensive loss	(12,687)	(6,335)	(1,255)
<b>Total stockholders equity</b>	<b>520,701</b>	<b>516,336</b>	<b>510,394</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 6,402,357</b>	<b>\$ 6,471,411</b>	<b>\$ 6,883,051</b>

See Notes to Consolidated Financial Statements Unaudited

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

(In thousands, except share and per share data)	<b>For the Three Months</b>		<b>For the Six Months</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
<b>Interest income:</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Interest and fees on loans	\$ 75,765	\$ 73,581	\$ 151,151	\$ 142,098
Interest on debt securities available for sale	4,314	5,258	8,619	10,553
Interest on tax exempt securities	4,506	4,016	8,735	7,369
Interest and dividends on other investment securities	4,396	4,443	8,772	8,807
Broker dealer interest and dividends	3,347	3,242	7,162	6,061
<b>Total interest income</b>	<b>92,328</b>	<b>90,540</b>	<b>184,439</b>	<b>174,888</b>
<b>Interest expense:</b>				
Interest on deposits	13,852	9,534	26,606	17,829
Interest on advances from FHLB	13,007	15,604	27,146	29,278
Interest on securities sold under agreements to repurchase and federal funds purchased	4,931	2,646	7,506	4,745
Interest on secured borrowings		2,482	2,401	4,644
Interest on subordinated debentures, notes and bonds payable, and junior subordinated debentures	7,891	6,316	15,475	11,988
Capitalized interest on real estate development	(289)	(437)	(769)	(889)
<b>Total interest expense</b>	<b>39,392</b>	<b>36,145</b>	<b>78,365</b>	<b>67,595</b>
<b>Net interest income</b>	<b>52,936</b>	<b>54,395</b>	<b>106,074</b>	<b>107,293</b>
(Recovery from) provision for loan losses	(20)	820	143	(3,096)
<b>Net interest income after (recovery from) provision for loan losses</b>	<b>52,956</b>	<b>53,575</b>	<b>105,931</b>	<b>110,389</b>
<b>Non-interest income:</b>				
Broker/dealer revenue	51,381	83,915	105,943	138,601
Service charges on deposits	21,274	14,744	40,373	27,733
Other service charges and fees	7,353	5,849	13,575	11,087
Income (loss) from real estate operations	114	1,655	(982)	3,896
Income from unconsolidated subsidiaries	278	137	1,098	268
Securities activities, net	2,830	90	5,371	192
Gains associated with debt redemption	1,092		1,528	
Gains on sales of office properties and equipment, net	1,806	293	1,778	293
Other	2,876	2,520	5,242	5,803
<b>Total non-interest income</b>	<b>89,004</b>	<b>109,203</b>	<b>173,926</b>	<b>187,873</b>
<b>Non-interest expense:</b>				
Employee compensation and benefits	80,011	78,391	160,211	144,186
Occupancy and equipment	17,516	13,953	33,763	27,190



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Impairment of office properties and equipment		3,706		3,706
Advertising and promotion	8,644	8,069	18,601	14,367
Professional fees	4,189	4,316	8,439	8,397
Communications	3,930	3,508	7,884	6,713
Floor broker and clearing fees	2,142	2,012	4,861	4,380
Cost associated with debt redemption	1,034		1,457	
Check losses	1,875	545	3,121	1,115
Other	12,422	9,643	23,094	18,874
<b>Total non-interest expense</b>	<b>131,763</b>	<b>124,143</b>	<b>261,431</b>	<b>228,928</b>
<b>Income before income taxes</b>	<b>10,197</b>	<b>38,635</b>	<b>18,426</b>	<b>69,334</b>
Provision for income taxes	2,075	14,098	3,592	24,919
<b>Net income</b>	<b>\$ 8,122</b>	<b>\$ 24,537</b>	<b>\$ 14,834</b>	<b>\$ 44,415</b>

(continued)

See Notes to Consolidated Financial Statements Unaudited

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

	<b>For the Three Months</b>		<b>For the Six Months</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Earnings per share</b>				
Basic earnings per share	\$ 0.13	\$ 0.41	\$ 0.24	\$ 0.74
Diluted earnings per share	\$ 0.13	\$ 0.38	\$ 0.24	\$ 0.69
Cash dividends per Class A share	\$ 0.038	\$ 0.035	\$ 0.038	\$ 0.070
Cash dividends per Class B share	\$ 0.038	\$ 0.035	\$ 0.038	\$ 0.070
Basic weighted average number of common shares outstanding	61,324,163	60,452,710	61,165,666	60,263,210
Diluted weighted average number of common and common equivalent shares outstanding	62,819,871	63,161,289	62,791,678	63,175,886

See Notes to Consolidated Financial Statements    Unaudited

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**BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**  
**For of the Six Months Ended June 30, 2005 and 2006 Unaudited**

(In thousands)	Compre- hensive Income	Common Stock	Addi- tional Paid-in Capital	Retained Earnings	Unearned Compen- sation Restricted Stock Grants	Accumul- ated Other Compre- hensive loss	Total
BALANCE, DECEMBER 31, 2004		\$ 601	\$ 259,702	\$ 210,955	\$ (1,001)	\$ (992)	\$ 469,265
Net income	\$ 44,415			44,415			44,415
Other comprehensive income (loss), net of tax:							
Unrealized losses on securities available for sale (less income tax benefit of \$159)	(140)						
Reclassification adjustment for net gain included in net income (less income tax expense of \$69)	(123)						
Other comprehensive income (loss)	(263)						
Comprehensive income	\$ 44,152						
Dividends on Class A Common Stock				(3,899)			(3,899)
Dividends on Class B Common Stock				(342)			(342)
Issuance of Class A common stock upon exercise of stock options		9	1,929				1,938
Tax effect relating to share-based compensation			4,190				4,190
Retirement of Class A Common Stock relating to exercise of		(3)	(4,645)				(4,648)

stock options							
Amortization of unearned compensation							
restricted stock grants					85		85
Retirement of Ryan Beck common stock		(347)					(347)
Net change in accumulated other comprehensive loss, net of income taxes						(263)	(263)
<b>BALANCE, JUNE 30, 2005</b>	\$ 607	\$ 260,829	\$ 251,129	\$ (916)	\$ (1,255)		\$ 510,394
<b>BALANCE, DECEMBER 31, 2005</b>	\$ 608	\$ 261,720	\$ 261,279	\$ (936)	\$ (6,335)		\$ 516,336
Net income	\$ 14,834		14,834				14,834
Other comprehensive (loss), net of tax:							
Unrealized loss on securities available for sale (less income tax benefit of \$1,961)	(3,053)						
Reclassification adjustment for net gain included in net income (less income tax expense of \$2,072)	(3,299)						
Other comprehensive loss	(6,352)						
Comprehensive income	\$ 8,482						
Dividends on Class A common stock			(4,293)				(4,293)
Dividends on Class B common stock			(370)				(370)
Issuance of Class A common stock upon exercise of stock options	13	5,374					5,387
Tax effect relating to share-based compensation		3,553					3,553

Retirement of Class A common stock relating to exercise of stock options	(5)	(7,009)			(7,014)
Purchase and retirement of Class A common stock	(2)	(3,624)			(3,626)
Share based compensation expense		2,246			2,246
Adoption of FAS 123R	(1)	(935)	936		
Net change in accumulated other comprehensive loss, net of income taxes				(6,352)	(6,352)
<b>BALANCE, JUNE 30, 2006</b>	\$ 613	\$ 261,325	\$ 271,450	\$	\$ (12,687) \$ 520,701

See Notes to Consolidated Financial Statements Unaudited

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

(In thousands)	<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Operating activities:</b>		
Net income	\$ 14,834	\$ 44,415
<b>Adjustment to reconcile net income to net cash (used in) provided by operating activities:</b>		
Provision (recovery) and valuation allowances, net (1)	293	(3,046)
Depreciation, amortization and accretion, net	10,365	8,829
Amortization of deferred revenue	3,344	1,568
Amortization of intangible assets	787	825
Share-based compensation expense related to stock options and restricted stock	2,246	
Excess tax benefits from share-based compensation	(3,553)	
Securities activities, net	(5,371)	(192)
Net gains on sale of real estate owned	(724)	(882)
Net gains on sales of loans held for sale	(294)	(226)
Gains on sales of property and equipment	(1,778)	(293)
Gain on sale of branch		(922)
Increase in deferred tax benefits	(1,587)	(2,208)
Net gains associated with debt redemptions	(71)	
Impairment of office properties and equipment		3,706
Increase in forgivable notes receivable, net	(2,332)	(2,675)
Originations of loans held for sale, net	(44,081)	(35,678)
Proceeds from sales of loans held for sale	41,281	32,766
(Increase) decrease in real estate held for development and sale	(1,955)	3,710
Decrease in securities owned, net	5,635	16,348
Increase (decrease) in securities sold but not yet purchased	3,996	(11,278)
Increase in accrued interest receivable	(1,165)	(5,288)
Increase in other assets	(6,294)	(22,238)
Increase (decrease) in due to clearing agent	10,281	(5,472)
Decrease in other liabilities	(42,249)	(3,251)
<b>Net cash (used in) provided by operating activities</b>	<b>(18,392)</b>	<b>18,518</b>

(continued)

See Notes to Consolidated Financial Statements Unaudited

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

(In thousands)	<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Investing activities:</b>		
Proceeds from redemption and maturities of investment securities and tax certificates	84,669	96,204
Purchase of investment securities and tax certificates	(135,145)	(191,661)
Purchase of securities available for sale	(86,820)	(177,631)
Proceeds from sales and maturities of securities available for sale	93,641	175,839
Purchases of FHLB stock	(15,075)	(21,725)
Redemption of FHLB stock	22,339	11,982
Investments in unconsolidated subsidiaries	(4,081)	
Distributions from unconsolidated subsidiaries	4,549	
Net repayments (purchases and originations) of loans	30,379	(231,606)
Proceeds from sales of real estate owned	1,708	2,189
Proceeds from the sale of property and equipment	8	664
Purchases of office property and equipment	(39,697)	(17,068)
Cash outflows from the sale of branch		(13,605)
<b>Net cash used in investing activities</b>	<b>(43,525)</b>	<b>(366,418)</b>
<b>Financing activities:</b>		
Net increase in deposits	82,330	252,332
Repayments of FHLB advances	(1,436,344)	(689,166)
Proceeds from FHLB advances	1,280,000	840,000
Increase (decrease) in securities sold under agreements to repurchase	80,073	(50,283)
Decrease in federal funds purchased	84,847	4,500
Proceeds from secured borrowings		30,364
Repayments of secured borrowings	(26,516)	
Repayment of notes and bonds payable	(6,714)	(2,509)
Proceeds from notes payable	5,000	
Excess tax benefits from share-based compensation	3,553	
Proceeds from issuance of Class A common stock	1,053	809
Payment of the minimum withholding tax upon the exercise of stock options	(2,675)	(3,519)
Purchase and retirement of Class A common stock	(3,631)	
Purchase of subsidiary common stock		(491)
Dividends paid	(4,663)	(4,241)
<b>Net cash provided by financing activities</b>	<b>56,313</b>	<b>377,796</b>
(Decrease) increase in cash and cash equivalents	(5,604)	29,896
Cash and cash equivalents at the beginning of period	170,261	135,060
<b>Cash and cash equivalents at end of period</b>	<b>\$ 164,657</b>	<b>\$ 164,956</b>

See Notes to Consolidated Financial Statements Unaudited

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

(In thousands)	<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Cash paid for</b>		
Interest on borrowings and deposits	\$ 80,080	\$ 61,394
Income taxes	20,723	8,496
<b>Supplementary disclosure of non-cash investing and financing activities:</b>		
Loans transferred to REO	1,924	1,793
Decreases in current income taxes payable from the tax effect of fair value of employee stock options		4,190
Reduction in loans participations sold accounted for as secured borrowings	111,754	
Exchange of branch facilities	2,350	
Change in accumulated other comprehensive income	(6,352)	(263)
Change in deferred taxes on other comprehensive income	(4,033)	(228)
Securities purchased pending settlement		3,557
Issuance and retirement of Class A common stock accepted as consideration for the exercise price of stock options	4,334	1,129
 (1) Provision (recoveries) and valuation allowances represents provision for (recovery from) loan losses, REO and tax certificates.		

See Notes to Consolidated Financial Statements Unaudited

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

BankAtlantic Bancorp, Inc. (the Company) is a Florida-based financial services holding company that offers a wide range of banking and investment products and services through its subsidiaries. The Company's principal assets include the capital stock of its wholly-owned subsidiaries: BankAtlantic, its banking subsidiary; and Ryan Beck Holdings, Inc., a holding company that wholly owns Ryan Beck & Co., Inc. (Ryan Beck), an investment banking firm which is a federally registered broker-dealer. BankAtlantic, a federal savings bank headquartered in Fort Lauderdale, Florida, is a community-oriented bank which provides traditional retail banking services and a wide range of commercial banking products and related financial services through a network of 81 branches or stores located in Florida. Ryan Beck is a full service broker-dealer headquartered in Florham Park, New Jersey. Ryan Beck provides financial advice to individuals, institutions and corporate clients through 43 offices in 14 states. Ryan Beck also engages in the underwriting, distribution and trading of tax-exempt, equity and debt securities.

All significant inter-company balances and transactions have been eliminated in consolidation.

In management's opinion, the accompanying consolidated financial statements contain such adjustments as are necessary for a fair presentation of the Company's consolidated financial condition at June 30, 2006, December 31, 2005 and June 30, 2005, the consolidated results of operations for the three and six months ended June 30, 2006 and 2005, the consolidated stockholders' equity and comprehensive income and cash flows for the six months ended June 30, 2006. The results of operations for the three and six months ended June 30, 2006 are not necessarily indicative of results of operations that may be expected for the year ended December 31, 2006. The consolidated financial statements and related notes are presented as permitted by Form 10-Q and should be read in conjunction with the notes to the consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and the Company's Form 10-Q for the three months ended March 31, 2006.

Certain amounts for prior periods have been reclassified to conform to the statement presentation for 2006.

BankAtlantic performed a review of the classification of its loan participations in its financial statements for the year ended December 31, 2005. Based on the review, BankAtlantic concluded that certain loan participations should have been accounted for as secured borrowings instead of participations sold. As a consequence, participations aggregating approximately \$165.4 million that were previously recorded as participations sold were corrected in the Company's June 30, 2005 financial statements to reflect such amount as loans receivable and secured borrowings. Effective April 1, 2006, the loan participation agreements were amended which resulted in the affected loan participations being accounted for as loan sales with a corresponding reduction in secured borrowings.

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

The allowance consists of two components. The first component of the allowance is for high-balance non-homogenous loans that are individually evaluated for impairment. The process for identifying loans to be evaluated individually for impairment is based on management's identification of classified loans. Once an individual loan is found to be impaired, a valuation allowance is 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, or (3) observable market price. Non-homogenous loans that are not impaired are assigned an allowance based on common characteristics with homogenous loans.

The second component of the allowance is for homogenous loans in which groups of loans with common characteristics are evaluated to estimate the inherent losses in the portfolio. Homogenous loans have certain characteristics that are common to the entire portfolio so as to form a basis for estimating losses as it relates to the group. Management segregates homogenous loans into groups such as residential real estate, small business mortgage, small business non-mortgage, low-balance commercial loans, certain unimpaired non-homogenous loans and various types of consumer loans. The allowance for homogenous loans has a quantitative amount and a qualitative amount. The methodology for the quantitative component is based on a three year charge-off history by loan type adjusted by an expected recovery rate. A three year period was considered a reasonable time frame to track a loan's performance

from the event of loss through the recovery period. The methodology for the qualitative component is determined by considering the following factors:

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Delinquency and charge-off levels and trends;

Problem loans and non-accrual levels and trends;

Lending policy and underwriting procedures;

Lending management and staff;

Nature and volume of portfolio;

Economic and business conditions;

Concentration of credit;

Quality of loan review system; and

External factors

Based on an analysis of the above factors a qualitative dollar amount is assigned to each homogenous loan product. These dollar amounts are adjusted, if necessary, at period end based on directional adjustments by each category.

The unassigned component that was part of the Company's allowance for loan losses in prior periods was calculated based on the entire loan portfolio considering the above factors and was incorporated into the qualitative components of homogenous loans described above.

**2. Stock Based Compensation**

The Company has stock based compensation plans under which restricted stock, incentive stock options and non-qualifying stock options were awarded to officers, employees and directors and affiliate employees. Options available for grant under all stock options plans except for the 2005 Restricted Stock and Option Plan (the "Plan") were canceled during 2005. The Plan provides for the issuance of up to 6,000,000 shares of Class A common stock for restricted stock or option awards.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified prospective transition method. Under this transition method, share-based compensation expense for the three and six months ended June 30, 2006 includes compensation expense for all share-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provision 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. Prior to the adoption of SFAS 123R and during the three and six months ended June 30, 2005, the Company recognized share-based compensation expense in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations. No compensation was recognized when option grants had an exercise price equal to the market value of the underlying common stock on the date of grant.

In addition, prior to the adoption of SFAS 123R, the tax benefits of stock option exercises were classified as operating cash flows. Since the adoption of SFAS 123R, tax benefits resulting from tax deductions in excess of the compensation cost recognized for options are classified as operating and financing cash flows. As the Company adopted the modified prospective transition method, the prior period cash flow statement was not adjusted to reflect current period presentation.



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The following table illustrates the pro forma effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation for the three and six months ended June 30, 2005 compared to the actual results reported under SFAS No. 123R for the three and six months ended June 30, 2006.

(in thousands, except share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
Net income, as reported	\$ 8,122	\$ 24,537	\$ 14,834	\$ 44,415
Add: Stock-based employee compensation expense included in reported net income, net of related income tax effects	1,177	41	2,246	85
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related income tax effects	(1,177)	(505)	(2,246)	(1,021)
Pro forma net income	\$ 8,122	\$ 24,073	\$ 14,834	\$ 43,479
<b>Earnings per share:</b>				
Basic as reported	\$ 0.13	\$ 0.41	\$ 0.24	\$ 0.74
Basic pro forma	\$ N/A	\$ 0.40	\$ N/A	\$ 0.72
Diluted as reported	\$ 0.13	\$ 0.38	\$ 0.24	\$ 0.69
Diluted pro forma	\$ N/A	\$ 0.37	\$ N/A	\$ 0.68

The following is a summary of the Company's nonvested restricted stock activity:

	Class A Nonvested Restricted Stock	Weighted Average Grant date Fair Value
Outstanding at December 31, 2004	147,500	\$ 7.54
Vested	(19,500)	7.17
Forfeited		
Issued		
Outstanding at June 30, 2005	128,000	\$ 7.60
Outstanding at December 31, 2005	132,634	\$ 8.00
Vested	(24,134)	9.42
Forfeited		
Issued	10,000	14.26

Outstanding at June 30, 2006	118,500	\$	8.23
------------------------------	---------	----	------

As of June 30, 2006, approximately \$902,000 of total unrecognized compensation cost was related to unvested restricted stock compensation. The cost is expected to be recognized over a weighted-average period of approximately 5 years. The fair value of shares vested during the three and six months ended June 30, 2006 was \$401,000 and \$433,000, respectively.

The Company recognizes stock based compensation costs based on the grant date fair value. The grant date fair value for stock options is calculated using the Black-Scholes option pricing model net of an estimated forfeiture rate and recognizes the compensation costs for those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of five years. The Company based its estimated forfeiture rate of its unvested options at January 1, 2006 on its historical experience during the preceding five years.

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The Company formulated its assumptions used in estimating the fair value of employee options granted subsequent to January 1, 2006 in accordance with guidance under SFAS 123R and the guidance provided by the Securities and Exchange Commission ( SEC ) in Staff Accounting Bulletin No. 107 ( SAB 107 ). As part of this assessment, management determined that the historical volatility of the Company's stock should be adjusted to reflect the spin-off of Levitt Corporation ( Levitt ) on December 31, 2003 because the Company's historical volatility prior to the Levitt spin-off was not a good indicator of future volatility. Management reviewed the Company's stock volatility subsequent to the Levitt spin-off along with the stock volatility of other companies in its peer group. Based on this information, management determined that the Company's stock volatility was similar to its peer group subsequent to the Levitt spin-off. As a consequence, management began estimating the Company's stock volatility over the estimated life of the stock options granted using peer group experiences instead of the Company's historical data. As part of its adoption of SFAS 123R, the Company examined its historical pattern of option exercises in an effort to determine if there were any patterns based on certain employee populations. From this analysis, the Company could not identify any patterns in the exercise of its options. As such, the Company used the guidance of SAB 107 to determine the estimated term of options issued subsequent to the adoption of SFAS 123R. Based on this guidance, the estimated term was deemed to be the midpoint of the vesting term and the contractual term ((vesting term + original contractual term)/2).

The table below presents the weighted average assumptions used to value options granted during the six months ended June 30, 2006. There were no options granted during the six months ended June 30, 2005.

	<b>Employees</b>	<b>Directors</b>
Stock Price	\$ 13.60	\$ 13.95
Exercise Price	\$ 13.60	\$ 13.95
Interest Rate	4.66%	4.66%
Dividend Rate	1.12%	1.09%
Volatility	33.00%	33.00%
Option Life (years)	7.50	5.00
Option Value	\$ 5.47	\$ 4.66
Annual Forfeiture Rate	3.00%	0%

The following is a summary of the Company's Class A common stock option activity during the six months of 2005 and 2006:

	<b>Class A Outstanding Options</b>
Outstanding at December 31, 2004	6,174,845
Exercised	(813,770)
Forfeited	(25,785)
Issued	
Outstanding at June 30, 2005	5,335,290
Outstanding at December 31, 2005	6,039,253
Exercised	(1,324,281)
Forfeited	(148,816)
Issued	37,408
Outstanding at June 30, 2006	4,603,564
Available for grant at June 30, 2006	5,126,253





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As of June 30, 2006, there was \$8.9 million of total unearned compensation cost related to the Company's non-vested Class A common stock options. The cost is expected to be recognized over a weighted average period of 2.3 years. The aggregate intrinsic value of options outstanding and options exercisable as of June 30, 2006 was \$20.3 million and \$14.1 million, respectively. The total intrinsic value of options exercised during the six months ended June 30, 2006 and 2005 was \$13.0 million and \$12.8 million, respectively.

	<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
Weighted average exercise price of options outstanding	\$ 10.43	\$ 7.45
Weighted average exercise price of options exercised	\$ 4.07	\$ 2.38
Weighted average price of options forfeited	\$ 13.74	\$ 10.35

All options granted during 2006 vest in five years and expire ten years from the date of grant, except that options granted to directors vested immediately. The stock options were granted at an exercise price that equaled the fair value of the Class A common stock at the date of grant. Included in the above grants were options to acquire 5,000 shares of the Company's Class A common stock that were granted to affiliate employees. These options are valued at period end with the change in fair value recorded as an increase or reduction in compensation expense.

The following table summarizes information about fixed stock options outstanding at June 30, 2006:

Class of Common	Range of Exercise	Options Outstanding			Options Exercisable	
		Number Outstanding at	Weighted- Average Remaining	Weighted- Average Exercise	Number Exercisable at	Weighted- Average Exercise
Stock	Prices	06/30/06	Contractual Life	Price	06/30/06	Price
A	\$1.90 to \$3.83	589,118	4.1 years	\$ 2.98	589,118	\$ 2.98
A	\$3.84 to \$6.70	676,057	2.1 years	4.87	676,057	4.87
A	\$6.71 to \$9.36	1,741,166	6.2 years	7.98	61,920	7.97
A	\$9.37 to \$18.19	114,952	7.4 years	12.68	37,452	10.27
A	\$18.20 to \$19.02	1,482,271	8.5 years	18.62	59,371	18.48
		4,603,564	6.1 years	\$ 10.43	1,423,918	\$ 4.93

The following table summarizes information about fixed stock options outstanding at June 30, 2005:

Class of Common	Range of Exercise	Options Outstanding			Options Exercisable	
		Number Outstanding at	Weighted- Average Remaining	Weighted- Average Exercise	Number Exercisable at	Weighted- Average Exercise
Stock	Prices	06/30/05	Contractual Life	Price	06/30/05	Price
A	\$1.90 to \$3.83	1,468,963	3.9 years	\$ 3.21	771,526	\$ 3.40
A	\$3.84 to \$6.70	1,227,779	2.9 years	4.96	1,227,779	4.96
A	\$6.71 to \$9.36	1,839,904	6.9 years	7.98	65,310	8.01
A		30,044	2.8 years	9.36	30,044	9.36

	\$9.37 to \$18.19					
A	\$18.20 to \$19.02	768,600	8.4 years	18.20	35,000	18.20
		5,335,290	5.3 years	\$ 7.45	2,129,659	\$ 4.77

In July 2006, the Board of Directors granted incentive and non-qualifying stock options to acquire an aggregate of 892,800 shares of Class A common stock under the BankAtlantic Bancorp, Inc. 2005 Restricted Stock and Option Plan. The options vest in five years and expire ten years after the grant date. The stock options were granted with an exercise price of \$14.81 which was equal to the market value of the Class A common stock at the date of grant. The option value calculated using the Black Scholes option pricing model is \$6.04 per share. Additionally, during July 2006, non-employee directors were issued 21,390 shares of restricted Class A common stock, and options to acquire 10,060 shares of Class A common stock. The restricted stock and stock options were granted under the BankAtlantic Bancorp, Inc. 2005 Restricted Stock and Option Plan. The restricted stock will vest monthly over a 12-month service period. Stock options vested on the date of grant, have a ten-year term and have an exercise price of \$14.96, which was equal to the market value of the Class A

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common stock on the date of grant. The option value calculated using the Black Scholes option pricing model is \$4.97 per share. Compensation expense of \$50,000 was recognized in connection with the option grants as the options vest immediately.

**Ryan Beck Stock Option Plan:**

Ryan Beck has a stock based compensation plan under which non-qualifying stock options to acquire up to 2,446,500 shares of Ryan Beck Holdings, Inc. Common Stock can be awarded to officers and directors.

The following is a summary of Ryan Beck's common stock option activity:

	<b>Ryan Beck Outstanding Options</b>
Outstanding at December 31, 2004	2,245,500
Exercised	
Forfeited	(7,500)
Issued	22,000
Outstanding at June 30, 2005	2,260,000
Outstanding at December 31, 2005	2,069,000
Exercised	
Forfeited	(22,500)
Issued	377,500
Outstanding at June 30, 2006	2,424,000
Available for grant at June 30, 2006	13,500

Options forfeited during the six months ended June 30, 2006 and 2005 had a weighted average exercise price of \$5.26.

The table below presents the weighted average assumptions used to value Ryan Beck options granted during the six months ended June 30, 2006 and 2005.

	<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
Stock Price	\$ 8.74	\$ 5.46
Exercise Price	\$ 8.74	\$ 5.46
Interest Rate	4.55%	4.39%
Dividend Rate	0.82%	0.83%
Volatility	38.25%	40.90%
Option Life (years)	7.00	6.00
Option Value	\$ 3.86	\$ 2.33
Annual Forfeiture Rate	9.32%	%

The stock price was obtained from a third party valuation. All options granted during 2006 to acquire shares of Ryan Beck vest in four years and expire ten years from the date of grant. The aggregate intrinsic value of options outstanding and options exercisable as of June 30, 2006 was \$11.9 million and \$8.9 million, respectively.

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The following table summarizes information about Ryan Beck's stock options outstanding at June 30, 2006:

Range of Exercise Prices	Number Outstanding at 06/30/06	Options Outstanding	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
		Weighted-Average Remaining Contractual Life	at 06/30/06	Number Exercisable at 06/30/06	at 06/30/06
\$1.60 to \$1.68	1,320,000	5.8 years	\$1.62	1,252,500	\$ 1.61
\$5.26 to \$5.46	726,500	7.7 years	5.27		
\$5.50 to \$8.74	377,500	9.6 years	8.74		
	2,424,000	7.0 years	\$3.82	1,252,500	\$ 1.61

The following table summarizes information about Ryan Beck's stock options outstanding at June 30, 2005:

Range of Exercise Prices	Number Outstanding at 06/30/05	Options Outstanding	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
		Weighted-Average Remaining Contractual Life	at 06/30/05	Number Exercisable at 06/30/05	at 06/30/05
\$1.60 to \$1.68	1,365,000	6.6 years	\$1.62	1,065,000	\$ 1.60
\$1.70 to \$3.50	75,000	8.2 years	3.36		
\$5.26 to \$5.46	820,000	8.1 years	5.27		
	2,260,000	7.2 years	\$3.00	1,065,000	\$ 1.60

During the six months ended June 30, 2005, Ryan Beck repurchased 90,000 shares of Ryan Beck common stock at \$5.46 per share in accordance with the terms of the stock option grant. The shares were issued in June 2004 upon exercise of Ryan Beck stock options.

**3. Class A Common Stock**

During the three and six months ended June 30, 2006, the Company received net proceeds of \$575,000 and \$1.1 million, respectively, upon the exercise of stock options for 149,537 and 813,333 shares of Class A common stock, respectively, compared to \$387,000 and \$809,000, respectively, for 120,185 and 571,928 shares of Class A common stock for the three and six months ended June 30, 2005, respectively. During the six months ended June 30, 2006 and 2005, the Company accepted 316,076 shares of Class A common stock with a fair value of \$4.3 million and 62,253 shares of Class A common stock with a fair value of \$1.1 million, respectively, as consideration for the exercise price of stock options. Also during the six months ended June 30, 2006 and 2005, the Company accepted 194,872 and 196,962 shares of Class A common stock with a fair value of \$2.7 million and \$3.5 million, respectively, for payment of optionees' minimum statutory withholding taxes related to option exercises.

During the second quarter of 2006, the Board of Directors approved the repurchase of up to 6,000,000 shares of the Company's Class A Common Stock, which constitutes approximately 10% of the total of its Class A and Class B Common Stock presently outstanding. The timing and amount of repurchases will depend on market conditions, share price, trading volume and other factors, and there is no assurance that the Company will repurchase shares during any period. No termination date was set for the buyback program. Shares may be purchased on the open market or through private transactions. During the three months ended June 30, 2006, the Company purchased and retired 250,000 shares of Class A common stock at an average price per share of \$14.50.



**Table of Contents****BankAtlantic Bancorp, Inc. and Subsidiaries****4. Advances from the Federal Home Loan Bank**

During the three and six months ended June 30, 2006, BankAtlantic prepaid \$433.5 million and \$484.0 million of fixed rate Federal Home Loan Bank ( FHLB ) advances. Of this amount, \$394.0 million had an average interest rate of 5.44% and were scheduled to mature in 2008, and the remaining \$90.0 million had an average interest rate of 4.79% and were scheduled to mature between 2009 and 2011. During the three months ended June 30, 2006, BankAtlantic incurred prepayment penalties of \$1.0 million upon the repayment of \$368.5 million of advances and recorded a gain of \$1.1 million upon the repayment of \$65.0 million of advances. During the six months ended June 30, 2006, BankAtlantic incurred prepayment penalties of \$1.4 million upon the repayment of \$394.0 million of advances and recorded a gain of \$1.5 million upon the repayment of \$90.0 million of advances.

BankAtlantic prepaid these advances as part of a market risk strategy to reduce the effects of an asset sensitive portfolio on the net interest margin by shortening the average maturity of its outstanding interest-bearing liabilities.

Of the remaining FHLB advances outstanding at June 30, 2006, \$47.0 million mature between 2008 and 2010 and have a fixed weighted average interest rate of 5.83%, \$980 million are LIBOR-based floating rate advances that mature between 2006 and 2007 and had a weighted average interest rate of 5.23% and \$100 million are callable adjustable rate advances that bear interest at a LIBOR-based floating rate which adjusts quarterly, have maturities between 2009 and 2012 and currently have a weighted average interest rate of 4.79%.

**5. Impairment of Office Properties and Equipment**

During May 2005, the Company opened its new Corporate Center, which serves as its corporate headquarters. As a result of the corporate headquarters relocation and the contemplated demolition of the old corporate headquarters building, the Company recorded an impairment charge for the \$3.7 million carrying value of the building and equipment in its Consolidated Statement of Operations for the three and six months ended June 30, 2005. The building and equipment were included in the BankAtlantic reportable segment.

**6. Defined Benefit Pension Plan**

At December 31, 1998, the Company froze its defined benefit pension plan ( Plan ). All participants in the Plan ceased accruing service benefits beyond that date. The Company is subject to future pension expense or income based on future actual plan returns and actuarial values of the Plan obligations to employees. Under the Plan, net periodic pension expense incurred includes the following components (in thousands):

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Service cost benefits earned during the period	\$	\$	\$	\$
Interest cost on projected benefit obligation	407	388	814	776
Expected return on plan assets	(547)	(525)	(1,094)	(1,050)
Amortization of unrecognized net gains and losses	237	168	474	336
Net periodic pension expense	\$ 97	\$ 31	\$ 194	\$ 62

BankAtlantic did not contribute to the Plan during the six months ended June 30, 2006 and 2005. BankAtlantic is not required to contribute to the Plan for the year ending December 31, 2006.

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Ryan Beck's securities owned activities were associated with sales and trading activities conducted both as principal and as agent on behalf of individual and institutional investor clients of Ryan Beck. Transactions as principal involve making markets in securities which are held in inventory to facilitate sales to and purchases from customers. Ryan Beck also realizes gains and losses from proprietary trading activities.

Ryan Beck's securities owned (at fair value) consisted of the following (in thousands):

	<b>June 30, 2006</b>	<b>December 31, 2005</b>	<b>June 30, 2005</b>
States and municipal obligations	\$ 55,117	\$ 76,568	\$ 23,979
Corporate debt	4,771	3,410	6,817
Obligations of U.S. Government agencies	56,509	45,827	29,402
Equity securities	30,400	23,645	20,572
Mutual funds and other	22,468	28,359	26,305
Certificates of deposit	5,392	2,483	2,020
	<b>\$ 174,657</b>	<b>\$ 180,292</b>	<b>\$ 109,095</b>

In the ordinary course of business, Ryan Beck borrows or carries excess funds under agreements with its clearing brokers. Securities owned are pledged as collateral for clearing broker borrowings. As of June 30, 2006 and 2005, balances due from clearing brokers were \$4.0 million and \$22.1 million, respectively. As of June 30, 2006 and December 31, 2005, balances due to the clearing brokers were \$38.7 million and \$24.5 million, respectively.

Ryan Beck's securities sold but not yet purchased consisted of the following (in thousands):

	<b>June 30, 2006</b>	<b>December 31, 2005</b>	<b>June 30, 2005</b>
Equity securities	\$ 2,904	\$ 3,780	\$ 9,807
Corporate debt	1,146	1,332	3,881
State and municipal obligations	107	41	67
Obligations of U.S. Government agencies	34,793	29,653	14,287
Certificates of deposits	223	371	142
	<b>\$ 39,173</b>	<b>\$ 35,177</b>	<b>\$ 28,184</b>

Securities sold, but not yet purchased, are a part of Ryan Beck's normal activities as a broker and dealer in securities and are subject to off-balance sheet risk should Ryan Beck be unable to acquire the securities for delivery to the purchaser at prices equal to or less than the current recorded amounts.

During the year ended December 31, 2005, Ryan Beck organized a Delaware limited partnership to operate as a hedge fund that primarily trades equity securities. The Partnership is consolidated for accounting purposes into its General Partner, a wholly-owned subsidiary of Ryan Beck, which controls the Partnership. Included in securities owned and securities sold but not yet purchased was \$8.2 million and \$0, respectively, associated with the Partnership at June 30, 2006 compared to \$3.4 million and \$1.3 million, respectively, at December 31, 2005.



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The loan portfolio consisted of the following components (in thousands):

	<b>June 30, 2006</b>	<b>December 31, 2005</b>	<b>June 30, 2005</b>
<b>Real estate loans:</b>			
Residential	\$ 2,060,161	\$ 2,043,055	\$ 2,295,326
Construction and development	928,215	1,339,576	1,580,882
Commercial	1,065,646	1,060,245	1,053,380
Small business	174,018	151,924	139,233
Loans to Levitt Corporation		223	4,746
<b>Other loans:</b>			
Home equity	524,735	513,813	494,904
Commercial business	148,730	89,752	84,497
Small business non-mortgage	89,094	83,429	72,543
Consumer loans	15,489	21,469	13,743
Deposit overdrafts	6,458	5,694	5,434
Discontinued loans products (1)	593	1,207	5,266
 Total gross loans	 5,013,139	 5,310,387	 5,749,954
<b>Adjustments:</b>			
Undisbursed portion of loans in process	(493,274)	(649,296)	(747,750)
Premiums related to purchased loans	3,303	5,566	6,633
Deferred fees, net	(2,729)	(3,231)	(4,068)
Allowance for loan and lease losses	(42,012)	(41,192)	(43,650)
 Loans receivable net	 \$ 4,478,427	 \$ 4,622,234	 \$ 4,961,119

(1) Discontinued loan products consist of lease financings and indirect consumer loans. These loan products were discontinued during prior periods.

The Company's loans to Levitt Corporation had an outstanding balance of \$0, \$223,000 and \$4.7 million at June 30, 2006, December 31, 2005 and June 30, 2005, respectively. Included in interest income in the Company's statement of operations for the three and six months ended June 30, 2005 were \$206,778 and \$819,667, respectively of interest income related to loans to Levitt Corporation.

**9. Real Estate Held for Development and Sale**

Real estate held for development and sale consists of a real estate venture that was acquired in connection with the acquisition of a financial institution in 2002 and at June 30, 2005 also included real estate held for sale associated with BankAtlantic branch banking facilities.

Real estate held for development and sale consisted of the following (in thousands):

	<b>June 30, 2006</b>	<b>December 31, 2005</b>	<b>June 30, 2005</b>
Land and land development costs	\$ 12,783	\$ 9,921	\$ 10,805
Construction costs	5,849	8,264	8,194
Other costs	4,953	2,992	2,515

Branch banking facilities			2,468
Total	\$ 23,585	\$ 21,177	\$ 23,982

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Income (loss) from real estate operations was as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
Sales of real estate	\$ 1,100	\$ 5,773	\$ 7,613	\$ 14,801
Cost of sales on real estate	986	4,118	8,595	10,905
Income (loss) from of real estate operations	\$ 114	\$ 1,655	\$ (982)	\$ 3,896

**10. Related Parties**

The Company, Levitt and Bluegreen Corporation ( Bluegreen ) may be deemed to be affiliates. The controlling shareholder of the Company and Levitt is BFC Financial Corporation ( BFC ), and Levitt owns 31% of the outstanding common stock of Bluegreen. The majority of BFC 's common stock is owned or controlled by the Company 's Chairman, Chief Executive Officer and President, and the Company 's Vice Chairman, both of whom are also directors of the Company, executive officers and directors of BFC and Levitt, and directors of Bluegreen. The Company, BFC, Levitt and Bluegreen share various office premises and employee services, pursuant to the arrangements described below.

The Company maintains service arrangements with BFC, pursuant to which the Company provides office facilities to BFC and its affiliates and the Company is compensated based on its costs. As of January 1, 2006, certain of the Company 's human resources, risk management and investor relations employees were hired by BFC. As a consequence, BFC began providing the back-office support functions provided by these employees to the Company and Levitt. Included in non-interest income during the three and six months ended June 30, 2006 was \$107,000 and \$204,000, respectively, of revenues from BFC for office facilities overhead. Included in non-interest expense for the three and six months ended June 30, 2006 was \$301,000 and \$537,000, respectively, of expenses associated with back-office support services provided by BFC to the Company. When former employees are transferred to an affiliate Company, the Company has elected, in accordance with the terms of the Company 's stock option plans, not to cancel the stock options held by those former employees. As a consequence, as of June 30, 2006, options to acquire 128,621 shares of the Company 's Class A common stock held by affiliate employees were outstanding with a weighted average exercise price of \$12.62. Of these outstanding options, 117,584 options with a weighted average exercise price of \$13.48 were unvested resulting in the Company recording \$33,000 and \$66,000 of compensation expense associated with these unvested options during the three and six months ended June 30, 2006. Additionally, the Company in prior periods has issued options to acquire shares of the Company 's Class A stock to employees of affiliated companies. As of June 30, 2006, 177,977 options to acquire shares of the Company 's Class A common stock granted to these affiliate employees were outstanding with weighted average exercise prices of \$8.92. Of these outstanding options, 140,621 options with a weighted average exercise price of \$4.03 were unvested resulting in the Company recording \$30,000 and \$60,000 of compensation expense associated with these unvested options during the three and six months ended June 30, 2006. During the six months ended June 30, 2006 and 2005 former employees exercised 51,464 and 41,146 of options, respectively, to acquire Class A common stock at a weighted average exercise price of \$3.28 and \$3.52, respectively.

During 2005, the Company maintained service arrangements with BFC and Levitt, pursuant to which the Company provided human resources, risk management, project planning, system support and investor and public relations services to Levitt and BFC. For such services, the Company was compensated on a cost plus 5% basis. Additionally, the Company rented office space to Levitt and BFC on a month-to-month basis and received rental payments at agreed upon rates that may not have been equivalent to market rates. These amounts were included in non-interest income in the Company 's statement of operations for the three and six months ended June 30, 2005.

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The table below shows the service fees and rent payments from Levitt and BFC to the Company for office space rent and back-office support functions for the three and six months ended June 30, 2005 (in thousands):

2005	For the Three Months Ended June 30,		
	BFC	Levitt	Total
Service Fees	\$ 74	\$ 167	\$ 241
Rent	22	6	28
Total	\$ 96	\$ 173	\$ 269

  

2005	For the Six Months Ended June 30,		
	BFC	Levitt	Total
Service Fees	\$ 132	\$ 280	\$ 412
Rent	44	12	56
Total	\$ 176	\$ 292	\$ 468

Additionally, during the three and six months ended June 30, 2005 Levitt paid BankAtlantic \$26,000 and \$56,000, respectively, for project management services. Additionally, the Company recognized expenses of \$36,000 and \$184,000 during the three and six months ended June 30, 2005, respectively, for risk management services provided by Bluegreen. For these services the Company paid or was compensated, as applicable, on a cost plus 5% basis.

BankAtlantic has entered into repurchase agreements with Levitt and BFC in aggregate amounts of \$13.0 million, \$6.2 million and \$13.0 million at June 30, 2006, December 31, 2005 and June 30, 2005, respectively. The Company recorded \$147,000 and \$299,000, respectively, of interest expense associated with these repurchase agreements during the three and six months ended June 30, 2006 compared to \$107,000 and \$256,000, respectively, during the corresponding 2005 periods.

During the second quarter of 2005, BFC sold 5.45 million shares of its Class A common stock in an underwritten public offering at a price of \$8.50 per share. Ryan Beck participated as lead underwriter in this offering and received \$1.2 million of investment banking fees for its services.

**11. Segment Reporting**

Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Reportable segments consist of one or more operating segments with similar economic characteristics, products and services, production processes, type of customer, distribution system and regulatory environment. The information provided for Segment Reporting is based on internal reports utilized by management. Results of operations are reported through three reportable segments: BankAtlantic, Ryan Beck and Parent Company. The Parent Company includes the operations of BankAtlantic Bancorp as well as acquisition related expenses.

The following summarizes the aggregation of the Company's operating segments into reportable segments:

Reportable Segment	Operating Segments Aggregated
BankAtlantic	Banking operations
Ryan Beck	Investment banking and brokerage operations
Parent Company	BankAtlantic Bancorp's operations, costs of acquisitions and financing activities

The accounting policies of the segments are generally the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. Intersegment transactions are eliminated in consolidation.

Table of ContentsBankAtlantic Bancorp, Inc. and Subsidiaries

The Company evaluates segment performance based on segment net income after tax. The table below is segment information for segment net income for the three months ended June 30, 2006 and 2005 (in thousands):

	<b>BankAtlantic</b>	<b>Ryan Beck</b>	<b>Parent Company</b>	<b>Adjusting and Elimination Entries</b>	<b>Segment Total</b>
<b>2006</b>					
Interest income	\$ 87,744	\$ 3,991	\$ 662	\$ (69)	\$ 92,328
Interest expense	(32,487)	(1,514)	(5,460)	69	(39,392)
Recovery from loan losses	20				20
Non-interest income	34,960	51,381	2,663		89,004
Non-interest expense	(72,184)	(57,749)	(1,830)		(131,763)
Segments profit (loss) before taxes	18,053	(3,891)	(3,965)		10,197
(Provision) benefit for for income taxes	(5,301)	1,524	1,702		(2,075)
<b>Segment net income (loss)</b>	<b>\$ 12,752</b>	<b>\$ (2,367)</b>	<b>\$ (2,263)</b>	<b>\$</b>	<b>\$ 8,122</b>
<b>Total assets</b>	<b>\$ 6,048,396</b>	<b>\$ 232,830</b>	<b>\$ 789,865</b>	<b>\$ (668,734)</b>	<b>\$ 6,402,357</b>
<b>2005</b>					
Interest income	\$ 86,473	\$ 3,489	\$ 613	\$ (35)	\$ 90,540
Interest expense	(30,442)	(968)	(4,770)	35	(36,145)
Provision from loan losses	(820)				(820)
Non-interest income	24,965	83,915	342	(19)	109,203
Non-interest expense	(58,316)	(64,428)	(1,418)	19	(124,143)
Segments profit (loss) before taxes	21,860	22,008	(5,233)		38,635
(Provision) benefit for for income taxes	(7,089)	(8,977)	1,968		(14,098)
<b>Segment net income (loss)</b>	<b>\$ 14,771</b>	<b>\$ 13,031</b>	<b>\$ (3,265)</b>	<b>\$</b>	<b>\$ 24,537</b>
<b>Total assets</b>	<b>\$ 6,561,277</b>	<b>\$ 197,919</b>	<b>\$ 771,869</b>	<b>\$ (648,014)</b>	<b>\$ 6,883,051</b>

**Table of Contents****BankAtlantic Bancorp, Inc. and Subsidiaries**

The Company evaluates segment performance based on segment net income after tax. The table below is segment information for segment net income for the six months ended June 30, 2006 and 2005 (in thousands):

	<b>BankAtlantic</b>	<b>Ryan Beck</b>	<b>Parent Company</b>	<b>Adjusting and Elimination Entries</b>	<b>Segment Total</b>
<b>2006</b>					
Interest income	\$ 175,088	\$ 8,229	\$ 1,259	\$ (137)	\$ 184,439
Interest expense	(64,692)	(3,135)	(10,675)	137	(78,365)
Provision for loan losses	(143)				(143)
Non-interest income	61,967	105,943	6,015	1	173,926
Non-interest expense	(139,567)	(118,084)	(3,779)	(1)	(261,431)
Segments profit (loss) before taxes	32,653	(7,047)	(7,180)		18,426
(Provision) benefit for for income taxes	(9,483)	3,115	2,776		(3,592)
<b>Segment net income (loss)</b>	<b>\$ 23,170</b>	<b>\$ (3,932)</b>	<b>\$ (4,404)</b>	<b>\$</b>	<b>\$ 14,834</b>
<b>2005</b>					
Interest income	\$ 167,219	\$ 6,436	\$ 1,291	\$ (58)	\$ 174,888
Interest expense	(56,843)	(1,470)	(9,340)	58	(67,595)
Recovery from loan losses	3,096				3,096
Non-interest income	48,506	138,601	874	(108)	187,873
Non-interest expense	(108,580)	(116,993)	(3,463)	108	(228,928)
Segments profit (loss) before taxes	53,398	26,574	(10,638)		69,334
(Provision) benefit for for income taxes	(17,766)	(11,013)	3,860		(24,919)
<b>Segment net income (loss)</b>	<b>\$ 35,632</b>	<b>\$ 15,561</b>	<b>\$ (6,778)</b>	<b>\$</b>	<b>\$ 44,415</b>

**Table of Contents****BankAtlantic Bancorp, Inc. and Subsidiaries****12. Financial instruments with off-balance sheet risk**

Financial instruments with off-balance sheet risk were (in thousands):

	<b>June 30, 2006</b>	<b>December 31, 2005</b>	<b>June 30, 2005</b>
Commitments to sell fixed rate residential loans	\$ 24,575	\$ 13,634	\$ 21,771
Commitments to sell variable rate residential loans	4,518	4,438	5,690
Commitments to sell variable rate commercial loans	33,399		
Commitments to purchase variable rate residential loans	144,576	6,689	13,000
Commitments to originate loans held for sale	29,952	16,220	19,618
Commitments to originate loans	320,132	311,081	401,607
Commitments to extend credit, including the undisbursed portion of loans in process	965,098	1,151,054	1,215,610
Commitments to purchase branch facilities land	6,199	5,334	
Standby letters of credit	70,013	67,868	67,831
Commercial lines of credit	104,443	119,639	100,204

Standby letters of credit are conditional commitments issued by BankAtlantic to guarantee the performance of a customer to a third party. BankAtlantic's 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 \$48.7 million at June 30, 2006. 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 \$21.3 million at June 30, 2006. These 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