

BANKATLANTIC BANCORP INC

Form 10-Q

August 06, 2004

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10Q**

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

**For the quarterly period ended June 30, 2004**

**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.)

**1750 East Sunrise Boulevard  
Ft. Lauderdale, Florida**

(Address of principal executive offices)

**33304**

(Zip Code)

**(954) 760-5000**

(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 [X] NO [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

YES [X] NO [ ]

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

| <u>Title of Each Class</u>                       | <u>Outstanding at<br/>August 2, 2004</u> |
|--|--|
| Class A Common Stock, par value \$0.01 per share | 54,944,661                               |
| Class B Common Stock, par value \$0.01 per share | 4,876,124                                |

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**Table of Contents****BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION - UNAUDITED**

|   | <b>June 30,<br/>2004</b> | <b>December 31,<br/>2003</b> | <b>June 30,<br/>2003</b> |
|---|--------------------------|------------------------------|--------------------------|
| <b>(In thousands, except share data)</b>  |                          |                              |                          |
| <b>ASSETS</b>   |                          |                              |                          |
| Cash and due from depository institutions   | \$ 132,927               | \$ 119,882                   | \$ 127,150               |
| Federal funds sold and securities purchased under resell agreements                                     | 399                      |                              |                          |
| Securities owned (at fair value)  | 120,953                  | 124,565                      | 224,405                  |
| Securities available for sale (at fair value)   | 694,554                  | 358,511                      | 509,572                  |
| Investment securities and tax certificates (approximate fair value: \$194,046, \$192,706 and \$208,622) | 194,046                  | 192,706                      | 208,621                  |
| Federal Home Loan Bank stock, at cost which approximates fair value                                     | 44,154                   | 40,325                       | 69,131                   |
| Loans receivable, net of allowance for loan losses of \$46,737, \$45,595 and \$49,576                   | 3,899,099                | 3,686,153                    | 4,024,344                |
| Accrued interest receivable   | 27,864                   | 27,866                       | 34,162                   |
| Real estate held for development and sale   | 25,077                   | 21,803                       | 241,346                  |
| Investments and advances to unconsolidated subsidiaries   | 7,910                    | 7,910                        | 99,094                   |
| Office properties and equipment, net  | 106,105                  | 93,577                       | 92,599                   |
| Deferred tax asset, net   | 22,288                   | 22,999                       | 34,527                   |
| Goodwill  | 76,674                   | 76,674                       | 76,674                   |
| Core deposit intangible asset   | 11,121                   | 11,985                       | 12,864                   |
| Due from clearing agent   | 16,048                   |                              |                          |
| Other assets  | 49,159                   | 46,593                       | 64,364                   |
|   | <hr/>                    | <hr/>                        | <hr/>                    |
| Total assets  | \$5,428,378              | \$4,831,549                  | \$5,818,853              |
|   | <hr/>                    | <hr/>                        | <hr/>                    |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                          |                              |                          |
| <b>Liabilities:</b>   |                          |                              |                          |
| Deposits  |                          |                              |                          |
| Interest free checking  | \$ 787,819               | \$ 645,036                   | \$ 546,805               |
| NOW accounts  | 584,658                  | 533,888                      | 455,514                  |
| Savings accounts  | 251,218                  | 208,966                      | 191,586                  |
| Insured money fund savings  | 906,865                  | 865,590                      | 850,579                  |
| Certificate accounts  | 719,545                  | 804,662                      | 859,896                  |
|   | <hr/>                    | <hr/>                        | <hr/>                    |
| Total deposits  | 3,250,105                | 3,058,142                    | 2,904,380                |
|   | <hr/>                    | <hr/>                        | <hr/>                    |
| Advances from FHLB  | 883,727                  | 782,205                      | 1,332,300                |
| Securities sold under agreements to repurchase  | 374,824                  | 138,809                      | 217,950                  |

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|  |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
| Federal funds purchased  | 20,000             |                    | 155,000            |
| Subordinated debentures, notes and bonds payable   | 36,395             | 36,595             | 142,461            |
| Junior subordinated debentures   | 263,266            | 263,266            | 263,218            |
| Securities sold but not yet purchased  | 51,321             | 37,813             | 34,968             |
| Due to clearing agent  |                    | 8,583              | 112,410            |
| Other liabilities  | 108,406            | 92,684             | 160,335            |
|  | <u>          </u>  | <u>          </u>  | <u>          </u>  |
| Total liabilities  | 4,988,044          | 4,418,097          | 5,323,022          |
|  | <u>          </u>  | <u>          </u>  | <u>          </u>  |
| <b>Stockholders equity:</b>  |                    |                    |                    |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized;<br>none issued and outstanding   |                    |                    |                    |
| Class A common stock, \$.01 par value, authorized 80,000,000<br>shares; issued and outstanding 54,903,283, 54,396,824 and<br>53,753,721 shares | 549                | 544                | 538                |
| Class B common stock, \$.01 par value, authorized 45,000,000<br>shares; issued and outstanding 4,876,124, 4,876,124 and<br>4,876,124 shares    | 49                 | 49                 | 49                 |
| Additional paid-in capital   | 258,258            | 259,770            | 254,532            |
| Unearned compensation - restricted stock grants  | (1,090)            | (1,178)            | (1,133)            |
| Retained earnings  | 183,170            | 148,311            | 241,632            |
|  | <u>          </u>  | <u>          </u>  | <u>          </u>  |
| Total stockholders equity before accumulated other<br>comprehensive income (loss)  | 440,936            | 407,496            | 495,618            |
| Accumulated other comprehensive income (loss)  | (602)              | 5,956              | 213                |
|  | <u>          </u>  | <u>          </u>  | <u>          </u>  |
| Total stockholders equity  | 440,334            | 413,452            | 495,831            |
|  | <u>          </u>  | <u>          </u>  | <u>          </u>  |
| <b>Total liabilities and stockholders equity</b>   | <b>\$5,428,378</b> | <b>\$4,831,549</b> | <b>\$5,818,853</b> |
|  | <u>          </u>  | <u>          </u>  | <u>          </u>  |

See Notes to Consolidated Financial Statements - Unaudited

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

|   | For the Three Months<br>Ended June 30, |               | For the Six Months<br>Ended June 30, |                |
|---|--|---------------|--------------------------------------|----------------|
|   | 2004                                   | 2003          | 2004                                 | 2003           |
| <b>(In thousands, except share and per share data)</b>  |  |               |                                      |                |
| <b>Interest income:</b>   |  |               |                                      |                |
| Interest and fees on loans and leases   | \$48,034                               | \$54,191      | \$ 96,970                            | \$107,131      |
| Interest and dividends on securities available for sale   | 5,194                                  | 7,686         | 8,847                                | 16,343         |
| Interest and dividends on other investment securities   | 4,013                                  | 5,163         | 8,257                                | 10,214         |
| Broker dealer interest  | 2,866                                  | 2,181         | 5,662                                | 4,498          |
|   | <u>60,107</u>                          | <u>69,221</u> | <u>119,736</u>                       | <u>138,186</u> |
| <b>Interest expense:</b>  |  |               |                                      |                |
| Interest on deposits  | 6,788                                  | 9,758         | 13,761                               | 20,927         |
| Interest on advances from FHLB  | 7,769                                  | 15,291        | 16,867                               | 30,607         |
| Interest on securities sold under agreements to repurchase and federal funds purchased          | 632                                    | 1,248         | 882                                  | 2,067          |
| Interest on subordinated debentures, notes and bonds payable and junior subordinated debentures | 4,912                                  | 4,531         | 9,739                                | 8,352          |
| Capitalized interest on real estate development   | (346)                                  | (256)         | (653)                                | (595)          |
|   | <u>19,755</u>                          | <u>30,572</u> | <u>40,596</u>                        | <u>61,358</u>  |
| Total interest expense  |  |               |                                      |                |
|   | <u>40,352</u>                          | <u>38,649</u> | <u>79,140</u>                        | <u>76,828</u>  |
| Provision for (recovery from) loan losses   | (1,963)                                | 1,490         | (2,822)                              | 2,340          |
|   | <u>42,315</u>                          | <u>37,159</u> | <u>81,962</u>                        | <u>74,488</u>  |
| <b>Net interest income after provision for (recovery from) loan losses</b>                      |  |               |                                      |                |
|   | <u>42,315</u>                          | <u>37,159</u> | <u>81,962</u>                        | <u>74,488</u>  |
| <b>Non-interest income:</b>   |  |               |                                      |                |
| Investment banking income   | 61,925                                 | 50,565        | 124,370                              | 102,230        |
| Service charges on deposits   | 13,028                                 | 9,605         | 24,305                               | 18,163         |
| Other service charges and fees  | 6,431                                  | 6,071         | 11,068                               | 9,989          |
| Income from real estate operations  | 683                                    | 4,136         | 988                                  | 5,222          |
| Income from unconsolidated subsidiaries   | 118                                    | 118           | 236                                  | 200            |
| Securities activities, net  | 3                                      | (19)          | 75                                   | 365            |
| Litigation settlement   |  |               | 22,840                               |                |

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|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Other  | 3,157             | 2,126             | 5,828             | 4,510             |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total non-interest income  | 85,345            | 72,602            | 189,710           | 140,679           |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Non-interest expense:</b>   |                   |                   |                   |                   |
| Employee compensation and benefits                                     | 63,538            | 57,415            | 130,718           | 114,827           |
| Occupancy and equipment  | 11,046            | 9,615             | 21,296            | 19,353            |
| Advertising and promotion  | 5,630             | 3,819             | 10,324            | 6,626             |
| Amortization of intangible assets                                      | 425               | 439               | 864               | 893               |
| Cost associated with debt redemption                                   |                   | 1,648             | 11,741            | 1,648             |
| Professional fees  | 2,610             | 3,715             | 5,347             | 6,830             |
| Communications   | 3,106             | 4,216             | 6,359             | 8,045             |
| Floor broker and clearing fees   | 2,438             | 2,236             | 5,240             | 4,394             |
| Other  | 9,109             | 11,387            | 18,027            | 20,434            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total non-interest expense   | 97,902            | 94,490            | 209,916           | 183,050           |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Income from continuing operations before income taxes</b>           | 29,758            | 15,271            | 61,756            | 32,117            |
| Provision for income taxes   | 11,498            | 5,462             | 22,972            | 11,490            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Income from continuing operations</b>                               | 18,260            | 9,809             | 38,784            | 20,627            |
| Discontinued operations, net of tax of \$4.1 million and \$5.9 million |                   | 7,400             |                   | 10,940            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Net income</b>  | \$18,260          | \$17,209          | \$ 38,784         | \$ 31,567         |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

See Notes to Consolidated Financial Statements - Unaudited (Continued)



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

|  | For the Three Months<br>Ended June 30, |             | For the Six Months<br>Ended June 30, |             |
|--|--|-------------|--------------------------------------|-------------|
|  | 2004                                   | 2003        | 2004                                 | 2003        |
| <b>Earnings per share</b>  |  |             |                                      |             |
| Basic earnings per share from continuing operations                                | \$ 0.31                                | \$ 0.17     | \$ 0.65                              | \$ 0.35     |
| Basic earnings per share from discontinued operations                              |  | 0.13        |                                      | 0.19        |
|  | <u>0.31</u>                            | <u>0.30</u> | <u>0.65</u>                          | <u>0.54</u> |
| Basic earnings per share   | \$ 0.31                                | \$ 0.30     | \$ 0.65                              | \$ 0.54     |
| Diluted earnings per share from continuing operations                              | \$ 0.29                                | \$ 0.16     | \$ 0.61                              | \$ 0.33     |
| Diluted earnings per share from discontinued operations                            |  | 0.12        |                                      | 0.18        |
|  | <u>0.29</u>                            | <u>0.28</u> | <u>0.61</u>                          | <u>0.51</u> |
| Diluted earnings per share   | \$ 0.29                                | \$ 0.28     | \$ 0.61                              | \$ 0.51     |
| Basic weighted average number of common shares outstanding                         | 59,343,940                             | 58,321,020  | 59,300,605                           | 58,246,733  |
| Diluted weighted average number of common and common equivalent shares outstanding | 62,807,683                             | 61,898,924  | 62,979,163                           | 63,047,682  |
| Cash dividends per Class A share   | \$ 0.033                               | \$ 0.031    | \$ 0.066                             | \$ 0.062    |
| Cash dividends per Class B share   | \$ 0.033                               | \$ 0.031    | \$ 0.066                             | \$ 0.062    |

See Notes to Consolidated Financial Statements - Unaudited



**Table of Contents****BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2004 - UNAUDITED**

|   | <b>Compre-<br/>hensive<br/>Income</b> | <b>Common<br/>Stock</b> | <b>Addi-<br/>tional<br/>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Unearned<br/>Compen-<br/>sation<br/>Restricted<br/>Stock<br/>Grants</b> | <b>Accumul-<br/>ated<br/>Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Total</b> |
|---|---------------------------------------|-------------------------|---|------------------------------|--|---|--------------|
| <b>(In thousands)</b>   |                                       |                         |   |                              |  |   |              |
| BALANCE, DECEMBER 31,<br>2002   |                                       | \$ 583                  | \$252,699                                       | \$213,692                    | \$(1,209)  | \$ 3,569  | \$469,334    |
| Net income  | <u>\$31,567</u>                       |                         |   | 31,567                       |  |   | 31,567       |
| Other comprehensive income,<br>net of tax:  |                                       |                         |   |                              |  |   |              |
| Unrealized loss on securities<br>available for sale (less income<br>tax benefit of \$3,437)                       | (5,876)                               |                         |   |                              |  |   |              |
| Minimum pension liability (less<br>income tax benefit of \$930)   | 1,652                                 |                         |   |                              |  |   |              |
| Unrealized loss associated with<br>investment in Bluegreen<br>Corporation (less income tax<br>provision of \$638) | 742                                   |                         |   |                              |  |   |              |
| Accumulated gain associated<br>with cash flow hedges (less<br>income tax benefit of \$349)                        | 100                                   |                         |   |                              |  |   |              |
| Reclassification adjustment for<br>cash flow hedges   | 260                                   |                         |   |                              |  |   |              |
| Reclassification adjustment for<br>net gain included in net income  | <u>(234)</u>                          |                         |   |                              |  |   |              |
| Other comprehensive loss  | <u>(3,356)</u>                        |                         |   |                              |  |   |              |
| Comprehensive income  | <u>\$28,211</u>                       |                         |   |                              |  |   |              |
| Dividends on Class A Common<br>Stock  |                                       |                         |   | (3,325)                      |  |   | (3,325)      |
| Dividends on Class B Common<br>Stock  |                                       |                         |   | (302)                        |  |   | (302)        |
| Issuance of Class A common  |                                       |                         | 211   |                              |  |   | 211          |

|   |          |           |           |           |          |           |
|---|----------|-----------|-----------|-----------|----------|-----------|
| stock upon conversion of subordinated debentures  |          |           |           |           |          |           |
| Issuance of Class A common stock  | 4        | 988       |           |           |          | 992       |
| Tax effect relating to the exercise of stock options  |          | 634       |           |           |          | 634       |
| Amortization of unearned compensation - restricted stock grants                               |          |           |           | 76        |          | 76        |
| Net change in accumulated other comprehensive income, net of income taxes                     |          |           |           |           | (3,356)  | (3,356)   |
|   |          |           |           |           |          |           |
| BALANCE, June 30, 2003  | \$ 587   | \$254,532 | \$241,632 | \$(1,133) | \$ 213   | \$495,831 |
|   |          |           |           |           |          |           |
| BALANCE, DECEMBER 31, 2003  | \$ 593   | \$259,770 | \$148,311 | \$(1,178) | \$ 5,956 | \$413,452 |
| Net income  | \$38,784 |           | 38,784    |           |          | 38,784    |
|   |          |           |           |           |          |           |
| Other comprehensive income (loss), net of tax:  |          |           |           |           |          |           |
| Unrealized losses on securities available for sale (less income tax benefit of \$3.7 million) | (6,510)  |           |           |           |          |           |
| Reclassification adjustment for net gain included in net income                               | (48)     |           |           |           |          |           |
|   |          |           |           |           |          |           |
| Other comprehensive income (loss)   | (6,558)  |           |           |           |          |           |
|   |          |           |           |           |          |           |
| Comprehensive income  | \$32,226 |           |           |           |          |           |
|   |          |           |           |           |          |           |
| Dividends on Class A Common Stock   |          |           | (3,603)   |           |          | (3,603)   |
| Dividends on Class B Common Stock   |          |           | (322)     |           |          | (322)     |
| Issuance of Class A common stock  | 11       | 2,592     |           |           |          | 2,603     |
| Tax effect relating to the exercise of stock options  |          | 4,585     |           |           |          | 4,585     |
| Retirement of Class A Common Stock relating to exercise of                                    | (2)      | (2,635)   |           |           |          | (2,637)   |

|   |        |           |           |           |          |           |
|---|--------|-----------|-----------|-----------|----------|-----------|
| stock options   |        |           |           |           |          |           |
| Retirement of Class A Common<br>Stock   | (4)    | (6,054)   |           |           |          | (6,058)   |
| Amortization of unearned<br>compensation - restricted stock<br>grants           |        |           |           | 88        |          | 88        |
| Net change in accumulated<br>other comprehensive income,<br>net of income taxes |        |           |           |           | (6,558)  | (6,558)   |
|   | —      | —         | —         | —         | —        | —         |
| BALANCE, June 30, 2004  | \$ 598 | \$258,258 | \$183,170 | \$(1,090) | \$ (602) | \$440,334 |
|   | —      | —         | —         | —         | —        | —         |

See Notes to Consolidated Financial Statements - Unaudited

**Table of Contents****BankAtlantic Bancorp, Inc.****CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**

|  | <b>For the Six Months<br/>Ended June 30,</b> |               |
|--|--|---------------|
|  | <b>2004</b>                                  | <b>2003</b>   |
| <b>(In thousands)</b>  |  |               |
| Income from continuing operations  | \$ 38,784                                    | \$ 20,627     |
| Income from discontinued operations  |  | 10,940        |
| <b>Adjustments to reconcile net income to net cash provided in operating activities:</b> |  |               |
| Provision (recovery) for credit losses *   | (2,222)                                      | 3,695         |
| Depreciation, amortization and accretion, net  | 8,071  | 8,550         |
| Amortization of intangible assets  | 864  | 893           |
| Change in real estate inventory  | (3,274)                                      | (20,347)      |
| Securities owned activities, net   | 3,612  | (37,951)      |
| Cost associated with debt redemption   | 11,741                                       | 1,648         |
| Increase (decrease) in securities sold but not yet purchased                             | 13,508                                       | (3,035)       |
| Equity in earnings of unconsolidated subsidiaries  | (236)  | (4,673)       |
| Repayments from unconsolidated subsidiaries, net   | 5,236  | 7,005         |
| Originations and repayments of loans held for sale, net                                  | (62,475)                                     | 3,866         |
| Proceeds from sales of loans held for sale   | 70,057                                       | 3,658         |
| Gains on securities activities   | (75)   | (365)         |
| Litigation settlement  | (22,840)                                     |               |
| Decrease in deferred tax asset, net  | 4,402  | 2,309         |
| Decrease (increase) in accrued interest receivable                                       | 2  | (178)         |
| Increase in other assets   | (11,808)                                     | (11,461)      |
| Increase (decrease) in due to clearing agent   | (24,631)                                     | 33,619        |
| Increase in other liabilities  | 3,703  | 40,657        |
| <b>Net cash provided in operating activities</b>   | <b>32,419</b>                                | <b>59,457</b> |
| <b>Investing activities:</b>   |  |               |
| Proceeds from redemption and maturities of investment securities and tax certificates    | 105,809                                      | 101,999       |
| Purchase of investment securities and tax certificates                                   | (107,749)                                    | (99,272)      |
| Purchases of securities available for sale   | (424,523)                                    | (183,215)     |
| Proceeds from sales and maturities of securities available for sale                      | 111,344                                      | 372,034       |
| Purchases of FHLB stock, net   | (3,829)                                      | (4,188)       |
| Net purchases and originations of loans and leases                                       | (217,796)                                    | (662,210)     |
| Net proceeds from sales of real estate owned   | 1,939  | 1,444         |
| Net additions to office property and equipment   | (17,832)                                     | (5,778)       |
| Net cash proceeds from the sale of Cumberland  |  | 1,235         |

|  |                             |                             |
|--|-----------------------------|-----------------------------|
|  | <u>                    </u> | <u>                    </u> |
| <b>Net cash used in investing activities</b>                   | <b>(552,637)</b>            | <b>(477,951)</b>            |
|  | <u>                    </u> | <u>                    </u> |
| <b>Financing activities:</b>                                   |                             |                             |
| Net (decrease) increase in deposits                            | 191,963                     | (16,175)                    |
| Repayments of FHLB advances                                    | (210,157)                   | (239,368)                   |
| Proceeds from FHLB advances                                    | 300,000                     | 275,000                     |
| Net increase in securities sold under agreements to repurchase | 236,015                     | 101,843                     |
| Net increase in federal funds purchased                        | 20,000                      | 155,000                     |
| Repayment of notes and bonds payable                           | (1,283)                     | (126,868)                   |
| Proceeds from notes and bonds payable                          | 1,083                       | 73,102                      |
| Issuance of common stock                                       | 1,777                       | 992                         |
| Retirement of Class A common stock                             | (1,811)                     |                             |
| Issuance of junior subordinated debentures                     |                             | 75,000                      |
| Common stock dividends paid                                    | (3,925)                     | (3,627)                     |
|  | <u>                    </u> | <u>                    </u> |
| <b>Net cash provided in financing activities</b>               | <b>533,662</b>              | <b>294,899</b>              |
|  | <u>                    </u> | <u>                    </u> |
| <b>Increase (decrease) in cash and cash equivalents</b>        | <b>13,444</b>               | <b>(123,595)</b>            |
| Cash and cash equivalents at beginning of period               | 119,882                     | 250,745                     |
|  | <u>                    </u> | <u>                    </u> |
| Cash and cash equivalents at end of period                     | <u>\$ 133,326</u>           | <u>\$ 127,150</u>           |

See Notes to Consolidated Financial Statements - Unaudited (Continued)

**Table of Contents****BankAtlantic Bancorp, Inc.****CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**

|   | <b>For the Six Months<br/>Ended June 30,</b> |             |
|---|--|-------------|
|   | <b>2004</b>                                  | <b>2003</b> |
| <b>(In thousands)</b>   |  |             |
| Interest paid   | \$41,975                                     | \$68,961    |
| Income taxes paid   | 24,483                                       | 10,822      |
| Loans transferred to real estate owned  | 838  | 749         |
| Net loan recoveries (charge-offs)   | 3,964  | (52)        |
| Tax certificate net recoveries (charge-offs)  | (100)  | (256)       |
| Reduction in stockholders' equity from the retirement of Class A Common Stock obtained from litigation settlement | 6,058  |             |
| Decreases in current income taxes payable from the tax effect of fair value of employee stock options             | 4,585  | 634         |
| Acquisition goodwill adjustments  |  | (734)       |
| Transfer of relocated branch to real estate held for sale   |  | 1,000       |
| Issuance and retirement of Class A common stock accepted as consideration for the exercise price of stock options | 826  |             |
| Change in accumulated other comprehensive income  | (6,558)                                      | (3,356)     |
| Change in deferred taxes on other comprehensive income  | (3,690)                                      | (1,520)     |
| July settlement of securities available for sale purchased in June  | 16,604                                       |             |
| Issuance of Class A Common Stock upon conversion of subordinated debentures                                       |  | 211         |

\* Provision for credit losses represents provision for loan losses, REO and tax certificates.  
See Notes to Consolidated Financial Statements - Unaudited



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**BankAtlantic Bancorp, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED**

**1. Presentation of Interim Financial Statements**

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 subsidiaries: BankAtlantic, its banking subsidiary; and RB Holdings, Inc., a holding company that wholly owns Ryan Beck & Co., Inc. (Ryan Beck), a federally registered broker-dealer. BankAtlantic is a federal savings bank headquartered in Fort Lauderdale, Florida, which provides traditional retail banking services and a wide range of commercial banking products and related financial services. Ryan Beck is a full service broker-dealer headquartered in Florham Park, New Jersey which offers a wide range of investment and insurance products for retail and institutional clients.

On December 31, 2003, the Company completed the spin-off of its wholly owned real estate development subsidiary, Levitt Corporation (Levitt), and during the year ended December 31, 2003, Ryan Beck sold two of its subsidiaries, The GMS Group, LLC (GMS) and Cumberland Advisors (Cumberland). Accordingly, the financial information of Levitt, GMS and Cumberland is not included in the Consolidated Statements of Operations for the three and six months ended June 30, 2004 nor in the Consolidated Statements of Financial Condition at June 30, 2004 and December 31, 2003. For the comparable periods ended June 30, 2003, the financial information of the above companies is included in the Consolidated Statement of Financial Condition, Consolidated Statement of Stockholders Equity and Comprehensive Income and Consolidated Statement of Cash Flows; but the information is excluded from the revenues and expenses in the Consolidated Statements of Operations and is instead included as discontinued operations.

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 to present fairly the Company's consolidated financial condition at June 30, 2004, December 31, 2003 and June 30, 2003, the consolidated results of operations for the three and six months ended June 30, 2004 and 2003, the consolidated stockholders' equity and comprehensive income for the six months ended June 30, 2004 and 2003 and the consolidated cash flows for the six months ended June 30, 2004 and 2003. Such adjustments consisted only of normal recurring items except for the litigation settlement gain during the six months ended June 30, 2004. The results of operations for the three and six months ended June 30, 2004 are not necessarily indicative of results of operations that may be expected for the year ended December 31, 2004. 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, 2003 and in the Company's Form 10-Q/A for the three months ended March 31, 2004.

Certain amounts for prior periods have been reclassified to conform to the statement presentation for 2004.

**2. Stock Based Compensation**

Under the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, there are two methods of accounting for stock options, the intrinsic value method and the fair value method. The Company elects to value its options under the intrinsic value method. As a consequence, the Company accounts for its stock based compensation plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25 and

related interpretations.

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

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

|  | For the Three Months<br>Ended June 30, |           | For the Six Months<br>Ended June 30, |           |
|--|--|-----------|--------------------------------------|-----------|
|  | 2004                                   | 2003      | 2004                                 | 2003      |
| <b>(in thousands, except share data)</b>   |  |           |                                      |           |
| <b>Pro forma net income</b>  |  |           |                                      |           |
| Net income, as reported  | \$ 18,260                              | \$ 17,209 | \$ 38,784                            | \$ 31,567 |
| Add: Stock-based employee compensation expense included in reported net income, net of related income tax effects                                  | 44                                     | 90        | 88                                   | 142       |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related income tax effects | (284)                                  | (566)     | (682)                                | (962)     |
|  | \$ 18,020                              | \$ 16,733 | \$ 38,190                            | \$ 30,747 |
| <b>Earnings per share:</b>   |  |           |                                      |           |
| Basic as reported  | \$ 0.31                                | \$ 0.30   | \$ 0.65                              | \$ 0.54   |
| Basic pro forma  | 0.30                                   | 0.29      | 0.64                                 | 0.53      |
| Diluted as reported  | \$ 0.29                                | \$ 0.28   | \$ 0.61                              | \$ 0.51   |
| Diluted pro forma  | 0.28                                   | 0.27      | 0.60                                 | 0.50      |

In July 2004 the Board of Directors granted incentive and non-qualifying stock options to acquire an aggregate of 783,100 shares of Class A Common Stock under the Amended and Restated BankAtlantic Bancorp 2001 Stock Option Plan. The options vest in five years and expire ten years after the grant date except for stock options granted to non-employee Directors which vest immediately. The stock options were granted with an exercise price (\$18.20) equal to the fair market value of the common stock at the date of grant. No compensation expense was recognized in connection with the option grants since the exercise price equaled the market value of the underlying common stock on the date of grant.

In April 2004 the RB Holdings, Inc. Option Plan (the Plan) was amended to increase the number of shares of RB Holdings, Inc. common stock authorized for issuance under the Plan from 1,530,000 to 2,437,500.

In April 2004, RB Holdings Board of Directors granted to certain executives, pursuant to the Plan, options to acquire an aggregate of 798,500 shares of RB Holdings common stock at an exercise price equal to fair value at the date of grant, all of which vest in four years and expire ten years after the grant date. Upon exercise of the options, the Company or RB Holdings has the right under certain defined circumstances, starting six months plus one day after the exercise date, to repurchase the common stock at fair value as determined by an independent appraiser. The Company and RB Holdings also have the right of first refusal on any sale of RB Holdings common stock issued as a result of the exercise of an option, and the Company has the right to require any common stockholder to sell the shares in the event that the Company chooses to sell its interest in RB Holdings. In June 2004, options to acquire 90,000 shares of RB Holdings were exercised at a price of \$1.60 per share. As of June 30, 2004, 24,465,000 shares of RB Holdings common stock were outstanding, of which 24,375,000 shares were owned by the Company.

### **3. Litigation Settlement**

In March 2004, the Company recorded a \$22.8 million litigation gain pursuant to a settlement between the Company, its affiliates and a technology company. In accordance with the terms of the settlement, the Company sold its stock in the technology company to a third party investor group for its original cost of \$15 million and received from the investor group and the technology company additional compensation for legal expenses and damages consisting of \$1.7 million in cash and 378,160 shares of the Company's Class A common stock that had been owned by the technology company. The Company retired the Class A common stock on the settlement date.

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

During March 2004, BankAtlantic prepaid \$108 million of fixed rate Federal Home Loan Bank ( FHLB ) advances with a weighted average interest rate of 5.55%, incurring prepayment penalties of \$11.7 million. Also during the first quarter of 2004, BankAtlantic prepaid a \$50 million variable rate FHLB advance scheduled to mature in 2004 with an interest rate of 1.17%. During the three and six months ended June 30, 2004, \$7.7 million and \$40.7 million of FHLB advances matured. These advances had a weighted average interest rate of 2.25% and 1.67%, respectively. During the three months ended June 30, 2004, BankAtlantic borrowed \$300 million from the FHLB in the form of variable rate advances having a current weighted average interest rate of 1.27% and maturity dates ranging from August 2004 to May 2005.

Of the \$883.7 million of FHLB advances outstanding at June 30, 2004, \$531 million mature between 2008 and 2011 and have a weighted average interest rate of 5.41%, and \$60 million mature between 2004 and 2006 and have a weighted average interest rate 1.63%.

**5. Defined Benefit Pension Plan**

Under BankAtlantic's Retirement Plan for the Employees of BankAtlantic (the Plan ), net periodic pension expense (benefit) incurred includes the following components (in thousands):

|   | <b>For the Three<br/>Months<br/>Ended June 30,</b> |             | <b>For the Six Months<br/>Ended June 30,</b> |             |
|---|--|-------------|--|-------------|
|   | <b>2004</b>  | <b>2003</b> | <b>2004</b>                                  | <b>2003</b> |
| Service cost benefits earned during the period    | \$   | \$          | \$   | \$          |
| Interest cost on projected benefit obligation     | 383  | 369         | 766  | 738         |
| Expected return on plan assets                    | (500)  | (371)       | (1,000)                                      | (742)       |
| Amortization of unrecognized net gains and losses | 111  | 294         | 221  | 589         |
|   | <hr/>  | <hr/>       | <hr/>  | <hr/>       |
| Net periodic pension expense (benefit)            | \$ (6)   | \$ 292      | \$ (13)                                      | \$ 585      |
|   | <hr/>  | <hr/>       | <hr/>  | <hr/>       |

BankAtlantic did not contribute to the Plan during the six months ended June 30, 2004 and 2003. BankAtlantic is not required to contribute to the Plan for the year ending December 31, 2004.

**6. Securities Owned**

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,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> | <b>June 30,<br/>2003</b> |
|---------------------------------|--------------------------|----------------------------------|--------------------------|
| States and municipalities       | \$ 16,697                | \$ 9,903                         | \$111,254                |
| Corporations                    | 10,757                   | 5,159                            | 43,950                   |
| U.S. Government and<br>agencies | 48,852                   | 62,229                           | 33,107                   |
| Corporate equities              | 16,670                   | 15,072                           | 11,744                   |
| Mutual funds                    | 27,055                   | 24,639                           | 22,013                   |
| Certificates of deposit         | 922                      | 7,563                            | 2,337                    |
|                                 | <u>\$120,953</u>         | <u>\$124,565</u>                 | <u>\$224,405</u>         |

At June 30, 2003, securities owned balances included \$133.7 million of securities owned by GMS, of which approximately \$9.2 million were not accruing interest. Ryan Beck sold GMS in August 2003.

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

In the ordinary course of business, Ryan Beck borrows or carries excess funds under an agreement with its clearing broker. Securities owned are pledged as collateral for clearing broker borrowings. As of June 30, 2004, balances due from the clearing broker were \$16.0 million. As of December 31, 2003 and June 30, 2003, balances due to the clearing broker were \$8.6 million and \$112.4 million, respectively.

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

|                              | <b>June 30,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> | <b>June 30,<br/>2003</b> |
|------------------------------|--------------------------|----------------------------------|--------------------------|
| States and municipalities    | \$ 87                    | \$ 67                            | \$ 2,221                 |
| Corporations                 | 5,049                    | 1,963                            | 3,706                    |
| U.S. Government and agencies | 39,967                   | 32,231                           | 14,599                   |
| Corporate equities           | 6,171                    | 3,544                            | 12,712                   |
| Certificates of deposit      | 47                       | 8                                | 1,730                    |
|                              | <u>\$51,321</u>          | <u>\$37,813</u>                  | <u>\$34,968</u>          |

At June 30, 2003 the amounts included \$8.4 million of securities sold but not yet purchased by GMS.

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.

**7. Loans Receivable**

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

|                              | <b>June 30,<br/>2004</b> | <b>December 31,<br/>2003</b> | <b>June 30,<br/>2003</b> |
|------------------------------|--------------------------|------------------------------|--------------------------|
| Real estate loans:           |                          |                              |                          |
| Residential                  | \$1,506,875              | \$1,343,657                  | \$1,869,668              |
| Construction and development | 1,550,715                | 1,345,449                    | 1,024,844                |
| Commercial real estate       | 861,472                  | 1,064,043                    | 1,145,663                |
| Small business - mortgage    | 117,647                  | 107,835                      | 96,109                   |
| Loans to Levitt Corporation  | 14,939                   | 18,118                       |                          |
| Other loans:                 |                          |                              |                          |
| Loans to Levitt Corporation  | 38,000                   | 43,500                       |                          |

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|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Second mortgages                        | 395,260           | 333,655           | 287,761           |
| Commercial business                     | 104,649           | 91,724            | 87,374            |
| Small business - non-mortgage           | 60,822            | 51,898            | 45,646            |
| Deposit overdrafts                      | 5,464             | 4,036             | 3,278             |
| Consumer loans                          | 15,790            | 17,892            | 19,694            |
| Residential loans held for sale         | 3,786             | 2,254             |                   |
| Discontinued loan products              | 19,563            | 35,544            | 51,417            |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| <br>Total gross loans                   | <br>4,694,982     | <br>4,459,605     | <br>4,631,454     |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| <br>Adjustments:                        |                   |                   |                   |
| Undisbursed portion of loans in process | (747,850)         | (728,100)         | (563,132)         |
| Premiums related to purchased loans     | 4,603             | 6,899             | 11,173            |
| Deferred fees                           | (5,899)           | (6,656)           | (5,575)           |
| Allowance for loan and lease losses     | (46,737)          | (45,595)          | (49,576)          |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| <br>Loans receivable net                | <br>\$3,899,099   | <br>\$3,686,153   | <br>\$4,024,344   |
|   | <u>          </u> | <u>          </u> | <u>          </u> |

The Company's loans to Levitt had an outstanding balance of \$52.9 million and \$61.6 million at June 30, 2004 and December 31, 2003, respectively. The Company also had loans to Levitt joint ventures that had an outstanding balance of



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

\$0 and \$23.2 million at June 30, 2004 and December 31, 2003, respectively. Included in interest income in the Company's statement of operations for the three and six months ended June 30, 2004 was \$390,000 and \$1.0 million, respectively, of interest income related to loans to Levitt and its joint ventures. During the three and six months ended June 30, 2003, \$600,000 and \$1.2 million, respectively, of interest income related to loans to Levitt were not included in the Company's statements of operations as those amounts were eliminated in consolidation. At June 30, 2004, the Company had \$12.4 million of undisbursed loans in process to Levitt.

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

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

|                                 | <b>June 30,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> | <b>June 30,<br/>2003</b> |
|---------------------------------|--------------------------|----------------------------------|--------------------------|
| Land and land development costs | \$ 9,673                 | \$ 9,705                         | \$179,321                |
| Construction costs              | 10,008                   | 7,192                            | 44,683                   |
| Other costs                     | 2,377                    | 1,859                            | 14,285                   |
| Other                           | 3,019                    | 3,047                            | 3,057                    |
| <b>Total</b>                    | <b>\$25,077</b>          | <b>\$21,803</b>                  | <b>\$241,346</b>         |

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

|                                      | <b>For the Three Months<br/>Ended June 30,</b> |                | <b>For the Six Months<br/>Ended June 30,</b> |                 |
|--------------------------------------|--|----------------|--|-----------------|
|                                      | <b>2004</b>                                    | <b>2003</b>    | <b>2004</b>                                  | <b>2003</b>     |
| Sales of real estate                 | \$3,668  | \$9,248        | \$4,425                                      | \$13,412        |
| Cost of sales on real estate         | 2,985  | 5,112          | 3,437  | 8,190           |
| <b>Gains on sales of real estate</b> | <b>\$ 683</b>                                  | <b>\$4,136</b> | <b>\$ 988</b>                                | <b>\$ 5,222</b> |

In 2002, BankAtlantic acquired Community Savings Bankshares, Inc. ( Community ). Real estate held for development and sale at June 30, 2004 and December 31, 2003 consisted of real estate held by a joint venture that was acquired in connection with the Community acquisition and \$3.0 million of real estate held for sale associated with

BankAtlantic branch banking facilities. The joint venture was consolidated in the Company's financial statements as of January 1, 2003.

Real estate held for development and sale at June 30, 2003 consisted of \$19.8 million of real estate inventory of the joint venture acquired in the Community acquisition, \$3.1 million of real estate held for sale associated with BankAtlantic branch banking facilities, and \$218.5 million of real estate inventory of Levitt.

**Table of Contents****BankAtlantic Bancorp, Inc.****9. Investments and advances to unconsolidated subsidiaries**

The consolidated statements of financial condition and consolidated statements of operations include the following amounts for investments and advances to unconsolidated subsidiaries (in thousands):

|  | <b>June 30,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> | <b>June 30,<br/>2003</b> |
|--|--------------------------|----------------------------------|--------------------------|
|  | <u>          </u>        | <u>          </u>                | <u>          </u>        |
| <b>Statement of Financial Condition</b>                | \$                       | \$                               | \$                       |
| Investment in Bluegreen corporation                    |                          |                                  | 64,381                   |
| Investments and advances to real estate joint ventures |                          |                                  | 26,803                   |
| Investment in statutory business trusts                | 7,910                    | 7,910                            | 7,910                    |
|  | <u>          </u>        | <u>          </u>                | <u>          </u>        |
| Total  | \$7,910                  | \$ 7,910                         | \$99,094                 |
|  | <u>          </u>        | <u>          </u>                | <u>          </u>        |

As of June 30, 2004 and December 31, 2003, investments and advances to unconsolidated subsidiaries consisted of the Company's investments in eleven statutory business trusts that were formed to issue trust preferred securities. Prior to January 1, 2003, these trusts were consolidated in the Company's financial statements.

At June 30, 2003, investments and advances to unconsolidated subsidiaries consisted of the Company's and Levitt's investment in Bluegreen Corporation, (which consisted of aggregate holdings of approximately 38% of Bluegreen's outstanding common stock) Levitt's investments in real estate joint ventures and the Company's investments in eleven statutory business trusts.

**10. 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 activities of reportable segments exclude discontinued operations, extraordinary gains (losses) and income (loss) from changes in accounting principles. The accounting policies of these reportable segments are the same as those of the Company.

As of January 1, 2004, the Company implemented a new internal reporting methodology for evaluating operating segment performance for BankAtlantic's reportable segments. Additionally, Ryan Beck changed the composition of its reportable segments, creating three reportable segments. As a result of Ryan Beck's change, the Company's results of operations are now reported through seven reportable segments instead of five reportable segments reported by the Company in prior periods. Segment reporting for the three and six months ended June 30, 2003 was restated to conform to the new methodology.

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

| <b>Reportable Segment</b>    | <b>Operating Segments Aggregated</b>   |
|------------------------------|--|
| <b>BankAtlantic</b>          |  |
| Bank Investments             | Investments, tax certificates, residential loans purchased, CRA lending and real estate capital services |
| Commercial Banking           | Commercial lending and commercial deposits   |
| Community Banking            | Consumer lending, small business lending, ATM operations, branch banking and trade finance lending       |
| <b>Ryan Beck</b>             |  |
| Private Client Group ( PCG ) | Retail branch offices, retail branch administration, product marketing and support                       |
| Investment Banking           | Financial institutions group, middle markets group, public finance, and underwriting activities          |
| Capital Markets              | Equity and fixed income trading departments, unit trust and institutional sales                          |

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

Parent Company

BankAtlantic Bancorp's operations, costs of acquisitions and financing of acquisitions

**Results of BankAtlantic's Reportable Segments**

The Company evaluates BankAtlantic's segment performance based on segment profits after tax. BankAtlantic has three reportable segments. Information regarding Treasury and Other is provided following the tables. The table below is segment information for the three months ended June 2004 and 2003 associated with the three BankAtlantic reportable segments (in thousands):

|  | <b>BankAtlantic Reportable Segments</b> |                           |                          |                 |              | <b>BankAtlantic Total</b> |
|--|---|---------------------------|--------------------------|-----------------|--------------|---------------------------|
|  | <b>Bank Investments</b>                 | <b>Commercial Banking</b> | <b>Community Banking</b> | <b>Treasury</b> | <b>Other</b> |                           |
| <b>2004</b>  |   |                           |                          |                 |              |                           |
| Interest income  | 24,882                                  | 26,281                    | 28,334                   | (23,393)        | 659          | 56,763                    |
| Interest expense                                       | (15,795)                                | (9,517)                   | (8,023)                  | 18,149          | (180)        | (15,366)                  |
| Net interest income                                    | 9,087                                   | 16,764                    | 20,311                   | (5,244)         | 479          | 41,397                    |
| Charge-offs/(recoveries)                               | 41                                      | (2,278)                   | (76)                     |                 | (873)        | (3,186)                   |
| Net interest income after net charge-offs (recoveries) | 9,046                                   | 19,042                    | 20,387                   | (5,244)         | 1,352        | 44,583                    |
| Non-interest income                                    | 64                                      | 1,252                     | 19,727                   |                 | 442          | 21,485                    |
| Non-interest expense                                   | (1,319)                                 | (2,892)                   | (27,815)                 |                 | (10,495)     | (42,521)                  |
| Segments profits and losses before tax                 | 7,791                                   | 17,402                    | 12,299                   | (5,244)         | (8,701)      | 23,547                    |
| Taxes  | (2,805)                                 | (6,265)                   | (4,428)                  | 1,888           | 3,133        | (8,477)                   |
| Segment net income                                     | \$ 4,986                                | 11,137                    | 7,871                    | (3,356)         | (5,568)      | 15,070                    |
| Segment assets   | 2,389,534                               | 1,767,555                 | 599,865                  |                 | 364,941      | 5,121,895                 |

**2003**

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|  |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Interest income  | \$ 34,654         | 26,050            | 19,859            | (14,532)          | 1,306             | 67,337            |
| Interest expense   | (21,452)          | (10,921)          | (9,584)           | 15,685            | (350)             | (26,622)          |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net interest income  | 13,202            | 15,129            | 10,275            | 1,153             | 956               | 40,715            |
| Charge-offs/(recoveries)                                     | 325               | (22)              | 1,088             |                   | (494)             | 897               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net interest income after<br>net charge-offs<br>(recoveries) | 12,877            | 15,151            | 9,187             | 1,153             | 1,450             | 39,818            |
| Non-interest income  | 76                | 1,573             | 15,120            |                   | 514               | 17,283            |
| Non-interest expense   | (1,286)           | (2,872)           | (23,498)          |                   | (10,295)          | (37,951)          |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Segments profits and<br>losses before tax                    | 11,667            | 13,852            | 809               | 1,153             | (8,331)           | 19,150            |
| Taxes  | (4,200)           | (4,987)           | (291)             | (415)             | 3,004             | (6,889)           |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Segment net income   | \$ 7,467          | 8,865             | 518               | 738               | (5,327)           | 12,261            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Segment assets   | 2,658,804         | 1,731,635         | 456,532           |                   | 374,344           | 5,221,315         |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

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

The table below is segment information for the six months ended June 2004 and 2003 associated with the three BankAtlantic reportable segments (in thousands):

|  | <b>BankAtlantic Reportable Segments</b> |                           |                          |                 |              | <b>BankAtlantic Total</b> |
|--|---|---------------------------|--------------------------|-----------------|--------------|---------------------------|
|  | <b>Bank Investments</b>                 | <b>Commercial Banking</b> | <b>Community Banking</b> | <b>Treasury</b> | <b>Other</b> |                           |
| <b>2004</b>  |   |                           |                          |                 |              |                           |
| Interest income  | \$ 48,309                               | 52,915                    | 51,390                   | (40,976)        | 1,467        | 113,105                   |
| Interest expense                                       | (29,682)                                | (19,174)                  | (15,650)                 | 33,042          | (374)        | (31,838)                  |
| Net interest income                                    | 18,627                                  | 33,741                    | 35,740                   | (7,934)         | 1,093        | 81,267                    |
| Charge-offs/(recoveries)                               | 250                                     | (2,301)                   | (80)                     |                 | (1,702)      | (3,833)                   |
| Net interest income after net charge-offs (recoveries) | 18,377                                  | 36,042                    | 35,820                   | (7,934)         | 2,795        | 85,100                    |
| Non-interest income                                    | 203                                     | 1,858                     | 36,321                   |                 | 547          | 38,929                    |
| Non-interest expense                                   | (2,834)                                 | (5,853)                   | (54,221)                 |                 | (20,821)     | (83,729)                  |
| Segments profits and losses before tax                 | 15,746                                  | 32,047                    | 17,920                   | (7,934)         | (17,479)     | 40,300                    |
| Taxes  | (5,652)                                 | (11,537)                  | (6,452)                  | 2,857           | 6,293        | (14,491)                  |
| Segment net income                                     | \$ 10,094                               | 20,510                    | 11,468                   | (5,077)         | (11,186)     | 25,809                    |
| <b>2003</b>  |   |                           |                          |                 |              |                           |
| Interest income  | \$ 69,130                               | 51,596                    | 41,610                   | (30,937)        | 2,867        | 134,266                   |
| Interest expense                                       | (43,700)                                | (22,317)                  | (20,594)                 | 33,435          | (818)        | (53,994)                  |
| Net interest income                                    | 25,430                                  | 29,279                    | 21,016                   | 2,498           | 2,049        | 80,272                    |
| Charge-offs/(recoveries)                               | 351                                     | (51)                      | 1,012                    |                 | (972)        | 340                       |
| Net interest income after net charge-offs (recoveries) | 25,079                                  | 29,330                    | 20,004                   | 2,498           | 3,021        | 79,932                    |
| Non-interest income                                    | 150                                     | 2,307                     | 27,960                   |                 | 542          | 30,959                    |
| Non-interest expense                                   | (2,460)                                 | (6,273)                   | (45,346)                 |                 | (18,648)     | (72,727)                  |

|  |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Segments profits and losses before tax | 22,769            | 25,364            | 2,618             | 2,498             | (15,085)          | 38,164            |
| Taxes                                  | (8,196)           | (9,131)           | (942)             | (900)             | 5,468             | (13,701)          |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Segment net income                     | \$ 14,573         | 16,233            | 1,676             | 1,598             | (9,617)           | 24,463            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

The amounts included in the three BankAtlantic reportable segments are derived using a management reporting model that includes the methodologies of funds transfer pricing and activity based costing. Exposure to interest rate risk is managed centrally and reflected in BankAtlantic's segment reporting under the heading entitled "Treasury". In each segment the funds transfer pricing model charges each interest earning asset with a duration-matched cost of funds at the date of origination for the life of the asset or until a variable rate asset reprices. This matching of durations between interest earning assets and rate-bearing liabilities attempts to isolate the net interest income of each banking operating segment from interest rate risk and places the gains and losses from BankAtlantic's management of interest rate risk in Treasury. The duration on savings and transaction account deposit products that do not have maturities were estimated based on a deposit duration analysis performed by a third party consultant. The activity based costing model allocates costs to the activities and processes that create the expenses and transfers costs for services provided by one segment to another.

Net charge-offs or recoveries are allocated to the BankAtlantic reportable segment that generated the loss or recovery.

Non-interest income and expenses are credited to the reportable segment that generated the revenues or costs. Intersegment costs are allocated to the operating segments based on an activity based costing model.



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**BankAtlantic Bancorp, Inc.**

Income tax expense is allocated based on a standard tax rate of 36% for BankAtlantic's reportable segments.

The Treasury net contribution represents the difference between the actual net interest income earned by BankAtlantic and the aggregate net interest income allocated to the reportable segments calculated using funds transfer pricing methodologies.

Other includes discontinued loan products and unallocated corporate overhead. Discontinued loan products represent the net interest income and net recoveries from our discontinued loan products (small business loans originated before January 1, 2001, consumer indirect, syndication and lease financing.) Unallocated corporate overhead represents expenses that were not assigned to bank reportable segments through the activity based costing model. These overhead costs cannot be broken down and attributed directly to the activities of specific reportable segments, and therefore allocation of costs would have to be based on subjective measures that could distort the performance of the reportable segments. As a consequence, management has decided not to allocate these overhead costs. These overhead costs are primarily back office costs, such as human resources, accounting, finance, auditing, and data processing.

**Table of Contents****BankAtlantic Bancorp, Inc.****Results of Ryan Beck's Reportable Segments**

The Company evaluates Ryan Beck's segment performance based on pre-tax contribution. The table below is segment information for the three months ended June 30, 2004 and 2003 associated with the three Ryan Beck reportable segments (in thousands):

|                             | <b>PCG</b>        | <b>Investment<br/>Banking</b> | <b>Capital<br/>Markets</b> | <b>Total</b>      |
|-----------------------------|-------------------|-------------------------------|----------------------------|-------------------|
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>2004</b>                 |                   |                               |                            |                   |
| <b>Net interest income:</b> |                   |                               |                            |                   |
| Broker dealer interest      | \$ 2,516          | \$ 17                         | \$ 333                     | \$ 2,866          |
| Interest expense            | (59)              | (2)                           | (213)                      | (274)             |
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>Net interest income</b>  | <b>2,457</b>      | <b>15</b>                     | <b>120</b>                 | <b>2,592</b>      |
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>Non-interest income:</b> |                   |                               |                            |                   |
| Principal transactions      | 17,473            | 154                           | 4,027                      | 21,654            |
| Investment banking          |                   | 17,334                        | 692                        | 18,026            |
| Commissions                 | 20,493            |                               | 1,752                      | 22,245            |
| Other                       | 999               |                               | 84                         | 1,083             |
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>Non-interest income</b>  | <b>38,965</b>     | <b>17,488</b>                 | <b>6,555</b>               | <b>63,008</b>     |
| <b>Non-interest expense</b> | <b>(40,172)</b>   | <b>(7,015)</b>                | <b>(6,238)</b>             | <b>(53,425)</b>   |
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>Pre-tax contribution</b> | <b>\$ 1,250</b>   | <b>\$10,488</b>               | <b>\$ 437</b>              | <b>\$ 12,175</b>  |
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>2003</b>                 |                   |                               |                            |                   |
| <b>Net interest income:</b> |                   |                               |                            |                   |
| Broker dealer interest      | \$ 1,931          | \$ 32                         | \$ 218                     | \$ 2,181          |
| Interest expense            | (241)             | (4)                           | (133)                      | (378)             |
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>Net interest income</b>  | <b>1,690</b>      | <b>28</b>                     | <b>85</b>                  | <b>1,803</b>      |
|                             | <u>          </u> | <u>          </u>             | <u>          </u>          | <u>          </u> |
| <b>Non-interest income:</b> |                   |                               |                            |                   |
| Principal transactions      | 16,256            | 1,156                         | 6,645                      | 24,057            |
| Investment banking          |                   | 4,671                         | 408                        | 5,079             |
| Commissions                 | 19,487            | 16                            | 2,100                      | 21,603            |

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|                             |            |          |          |          |
|-----------------------------|------------|----------|----------|----------|
| Other                       | 449        | _____    | 31       | 480      |
|                             | _____      |          | _____    | _____    |
| <b>Non-interest income</b>  | 36,192     | 5,843    | 9,184    | 51,219   |
| <b>Non-interest expense</b> | (40,783)   | (3,395)  | (7,368)  | (51,546) |
|                             | _____      | _____    | _____    | _____    |
| <b>Pre-tax contribution</b> | \$ (2,901) | \$ 2,476 | \$ 1,901 | \$ 1,476 |
|                             | _____      | _____    | _____    | _____    |

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

The table below is segment information for the six months ended June 30, 2004 and 2003 associated with the three Ryan Beck reportable segments (in thousands):

|                             | <b>PCG</b> | <b>Investment<br/>Banking</b> | <b>Capital<br/>Markets</b> | <b>Total</b> |
|-----------------------------|------------|-------------------------------|----------------------------|--------------|
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>2004</b>                 |            |                               |                            |              |
| <b>Net interest income:</b> |            |                               |                            |              |
| Broker dealer interest      | \$ 4,807   | \$ 73                         | \$ 782                     | \$ 5,662     |
| Interest expense            | (95)       | (10)                          | (379)                      | (484)        |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>Net interest income</b>  | 4,712      | 63                            | 403                        | 5,178        |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>Non-interest income:</b> |            |                               |                            |              |
| Principal transactions      | 36,943     | 689                           | 8,465                      | 46,097       |
| Investment banking          | 88         | 29,047                        | 1,522                      | 30,657       |
| Commissions                 | 44,207     |                               | 3,409                      | 47,616       |
| Other                       | 1,596      |                               | 107                        | 1,703        |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>Non-interest income</b>  | 82,834     | 29,736                        | 13,503                     | 126,073      |
| <b>Non-interest expense</b> | (84,116)   | (13,872)                      | (12,526)                   | (110,514)    |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>Pre-tax contribution</b> | \$ 3,430   | \$ 15,927                     | \$ 1,380                   | \$ 20,737    |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>2003</b>                 |            |                               |                            |              |
| <b>Net interest income:</b> |            |                               |                            |              |
| Broker dealer interest      | \$ 4,019   | \$ 81                         | \$ 398                     | \$ 4,498     |
| Interest expense            | (515)      | (8)                           | (218)                      | (741)        |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>Net interest income</b>  | 3,504      | 73                            | 180                        | 3,757        |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |
| <b>Non-interest income:</b> |            |                               |                            |              |
| Principal transactions      | 29,848     | 5,409                         | 13,884                     | 49,141       |
| Investment banking          |            | 11,648                        | 1,120                      | 12,768       |
| Commissions                 | 36,935     | 121                           | 3,899                      | 40,955       |
| Other                       | 1,264      |                               | 56                         | 1,320        |
|                             | <hr/>      | <hr/>                         | <hr/>                      | <hr/>        |

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|                                 |                       |                     |                     |                     |
|---------------------------------|-----------------------|---------------------|---------------------|---------------------|
| <b>Non-interest income</b>      | 68,047                | 17,178              | 18,959              | 104,184             |
| <b>Non-interest expense</b>     | <u>(78,513)</u>       | <u>(9,916)</u>      | <u>(14,921)</u>     | <u>(103,350)</u>    |
| <br><b>Pre-tax contribution</b> | <br><u>\$ (6,962)</u> | <br><u>\$ 7,335</u> | <br><u>\$ 4,218</u> | <br><u>\$ 4,591</u> |

The Private Client Group is Ryan Beck's retail investment brokerage and consulting group, which offers a full range of investment planning and related services to its clients.

The Investment Banking reportable segment provides consulting services primarily in the financial services industry in connection with capital raising, mergers and acquisitions, and similar transactions. Its investment banking activities include financial institutions, middle market and municipal finance groups.

The Capital Markets reportable segment underwrites and trades in trust preferred securities, U.S. government securities, agency bonds and zero coupon bonds as well as equities and tax-exempt securities. Additionally, the Capital Markets group distributes brokered deposits and other taxable fixed income securities through other broker dealers.

All revenue and expense items, with the exception of certain department allocations, such as general and administrative, operations and research, are identified and reported at each segment. Ryan Beck allocates certain common income and expense items among business segments based upon various methodologies and factors, including a percentage of income methodology for certain revenue products, and a headcount factor for certain expense items.

**Table of Contents****BankAtlantic Bancorp, Inc.****Segment Reporting Worksheets**

The table below is a consolidating worksheet for income from continuing operations that reconciles the Company's segment reporting to the consolidated financial statements for the three months ended June 2004 and 2003 (in thousands):

|                            | <b>BankAtlantic</b> | <b>Ryan Beck</b> | <b>Parent<br/>Company</b> | <b>Adjusting and<br/>Elimination<br/>Entries</b> | <b>Segment<br/>Total</b> |
|----------------------------|---------------------|------------------|---------------------------|--|--------------------------|
| <b>2004</b>                |                     |                  |                           |  |                          |
| Interest income            | \$ 56,763           | \$ 2,866         | \$ 548                    | \$ (70)  | \$ 60,107                |
| Interest expense           | (15,419)            | (274)            | (4,132)                   | 70   | (19,755)                 |
| Recovery from loan losses  | 1,963               |                  |                           |  | 1,963                    |
| Non-interest income        | 22,169              | 63,008           | 241                       | (73)   | 85,345                   |
| Non-interest expense       | (43,570)            | (53,425)         | (980)                     | 73   | (97,902)                 |
|                            | <hr/>               | <hr/>            | <hr/>                     | <hr/>  | <hr/>                    |
| Income (loss) before taxes | 21,906              | 12,175           | (4,323)                   |  | 29,758                   |
| Provision for income taxes | (7,911)             | (5,161)          | 1,574                     |  | (11,498)                 |
|                            | <hr/>               | <hr/>            | <hr/>                     | <hr/>  | <hr/>                    |
| Net income (loss)          | \$ 13,995           | \$ 7,014         | \$ (2,749)                | \$   | \$ 18,260                |
|                            | <hr/>               | <hr/>            | <hr/>                     | <hr/>  | <hr/>                    |
| Total assets               | \$5,121,895         | 188,307          | 706,560                   | (588,384)  | \$5,428,378              |
|                            | <hr/>               | <hr/>            | <hr/>                     | <hr/>  | <hr/>                    |
| <b>2003</b>                |                     |                  |                           |  |                          |
| Interest income            | \$ 67,337           | \$ 2,181         | \$ 509                    | \$ (806)   | \$ 69,221                |
| Interest expense           | (26,622)            | (378)            | (4,378)                   | 806  | (30,572)                 |
| Provision for loan losses  | (1,490)             |                  |                           |  | (1,490)                  |
| Non-interest income        | 21,493              | 51,219           | (57)                      | (54)   | 72,602                   |
| Non-interest expense       | (40,657)            | (51,546)         | (2,341)                   | 54   | (94,490)                 |
|                            | <hr/>               | <hr/>            | <hr/>                     | <hr/>  | <hr/>                    |
| Income (loss) before taxes | 20,061              | 1,476            | (6,267)                   |  | 15,271                   |
| Provision for income taxes | (7,103)             | (551)            | 2,192                     |  | (5,462)                  |
|                            | <hr/>               | <hr/>            | <hr/>                     | <hr/>  | <hr/>                    |

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|                   |                   |                   |                   |                   |                   |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net income (loss) | \$ 12,958         | \$ 925            | \$ (4,075)        | \$                | \$ 9,809          |
|                   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total assets (1)  | \$5,221,315       | 274,418           | 761,915           | (438,795)         | \$5,818,853       |
|                   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

(1) The adjusting and elimination entries at June 30, 2003 include the total assets of Levitt, GMS and Cumberland. The adjusting and elimination entries consist of intercompany transactions relating to loan interest income and interest expense, management fees, consulting fees and brokerage commissions.

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

The table below is a consolidating worksheet for income from continuing operations that reconciles the Company's segment reporting to the consolidated financial statements for the six months ended June 2004 and 2003 (in thousands):

|                            | <u>BankAtlantic</u> | <u>Ryan Beck</u> | <u>Parent<br/>Company</u> | <u>Adjusting<br/>and<br/>Elimination<br/>Entries</u> | <u>Segment<br/>Total</u> |
|----------------------------|---------------------|------------------|---------------------------|--|--------------------------|
| <b>2004</b>                |                     |                  |                           |  |                          |
| Interest income            | \$ 113,105          | \$ 5,662         | \$ 1,090                  | \$ (121)   | \$ 119,736               |
| Interest expense           | (31,966)            | (484)            | (8,267)                   | 121  | (40,596)                 |
| Recovery from loan losses  | 2,822               |                  |                           |  | 2,822                    |
| Non-interest income        | 40,389              | 126,073          | 23,378                    | (130)  | 189,710                  |
| Non-interest expense       | (97,702)            | (110,514)        | (1,830)                   | 130  | (209,916)                |
|                            | <u>26,648</u>       | <u>20,737</u>    | <u>14,371</u>             |  | <u>61,756</u>            |
| Income before taxes        |                     |                  |                           |  |                          |
| Provision for income taxes | (9,347)             | (8,595)          | (5,030)                   |  | (22,972)                 |
|                            | <u>17,301</u>       | <u>12,142</u>    | <u>9,341</u>              | <u>\$</u>  | <u>\$ 38,784</u>         |
| Net income                 |                     |                  |                           |  |                          |
| <b>2003</b>                |                     |                  |                           |  |                          |
| Interest income            | \$ 134,266          | \$ 4,498         | \$ 963                    | \$ (1,541)   | \$ 138,186               |
| Interest expense           | (54,053)            | (741)            | (8,105)                   | 1,541  | (61,358)                 |
| Provision for loan losses  | (2,340)             |                  |                           |  | (2,340)                  |
| Non-interest income        | 36,607              | 104,185          | (30)                      | (83)   | 140,679                  |
| Non-interest expense       | (76,986)            | (103,350)        | (2,797)                   | 83   | (183,050)                |
|                            | <u>37,494</u>       | <u>4,592</u>     | <u>(9,969)</u>            |  | <u>32,117</u>            |
| Income (loss) before taxes |                     |                  |                           |  |                          |
| Provision for income taxes | (13,134)            | (1,843)          | 3,487                     |  | (11,490)                 |
|                            | <u>24,360</u>       | <u>2,749</u>     | <u>(6,482)</u>            | <u>\$</u>  | <u>\$ 20,627</u>         |
| Net income (loss)          |                     |                  |                           |  |                          |





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

The differences between BankAtlantic's statement of operations components and the reportable segment information for income from continuing operations for the three and six months ended June 30, 2004 and 2003 consists of (in thousands):

|   | <b>For the Three Months<br/>Ended<br/>June 30,</b> |               | <b>For the Six Months Ended<br/>June 30,</b> |               |
|---|--|---------------|--|---------------|
|   | <b>2004</b>  | <b>2003</b>   | <b>2004</b>                                  | <b>2003</b>   |
| <b>Interest expense</b>                                 |  |               |  |               |
| Segment interest expense                                | \$ 15,366  | 26,622        | \$ 31,838                                    | 53,994        |
| Joint venture interest expense                          | 53   |               | 128  | 59            |
|   | <u>15,419</u>                                      | <u>26,622</u> | <u>31,966</u>                                | <u>54,053</u> |
| BankAtlantic interest expense                           | <u>15,419</u>                                      | <u>26,622</u> | <u>31,966</u>                                | <u>54,053</u> |
| <b>Non-interest income</b>                              |  |               |  |               |
| Segment non-interest income                             | 21,485   | 17,283        | 38,929                                       | 30,959        |
| Income from real estate operations                      | 684  | 4,210         | 989  | 5,296         |
| Other   |  |               | 471  | 352           |
|   | <u>22,169</u>                                      | <u>21,493</u> | <u>40,389</u>                                | <u>36,607</u> |
| BankAtlantic non-interest income                        | <u>22,169</u>                                      | <u>21,493</u> | <u>40,389</u>                                | <u>36,607</u> |
| <b>Non-interest expense</b>                             |  |               |  |               |
| Segment non-interest expense                            | 42,521   | 37,951        | 83,729                                       | 72,727        |
| Joint venture expenses                                  | 749  | 2,406         | 1,269  | 3,502         |
| Provision for tax certificates                          | 300  | 300           | 600  | 600           |
| Cost associated with debt redemption                    |  |               | 11,741                                       |               |
| Other   |  |               | 363  | 157           |
|   | <u>43,570</u>                                      | <u>40,657</u> | <u>97,702</u>                                | <u>76,986</u> |
| BankAtlantic non-interest expense                       | <u>43,570</u>                                      | <u>40,657</u> | <u>97,702</u>                                | <u>76,986</u> |
| <b>Taxes</b>  |  |               |  |               |
| Segment taxes   | 8,477  | 6,889         | 14,491                                       | 13,701        |
| Actual tax rate different than segment assumed tax rate | 24   | (114)         | (230)  | (326)         |
| Segment earnings greater than BankAtlantic earnings     | <u>(590)</u>                                       | <u>328</u>    | <u>(4,914)</u>                               | <u>(241)</u>  |

|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| BankAtlantic taxes                                      | 7,911             | 7,103             | 9,347             | 13,134            |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Net income</b>                                       |                   |                   |                   |                   |
| Segment net income                                      | 15,070            | 12,261            | 25,809            | 24,463            |
| Provision for loan losses different than net recoveries | (782)             | (380)             | (646)             | (1,281)           |
| Provision for tax certificates                          | (192)             | (192)             | (384)             | (384)             |
| Joint venture operation excluded from segment reporting | (77)              | 1,155             | (193)             | 1,235             |
| Cost associated with debt redemption                    |                   |                   | (7,515)           |                   |
| Tax rate difference                                     | (24)              | 114               | 230               | 327               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| BankAtlantic net income                                 | \$ 13,995         | 12,958            | \$ 17,301         | 24,360            |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

Segment charge-offs/ (recoveries) consists of loan and tax certificate net charge-offs.

The above segment reporting information is based on internal reports utilized by management. The presentation and allocation of segment income and the components of segment income calculated under the management approach may not reflect the actual economic costs, contribution or results of operations of the units as stand alone businesses. If a different basis of allocation were utilized, the relative contributions of the segments might differ but the relative trends in the segments likely would not, in management's view, be impacted.

**Table of Contents****BankAtlantic Bancorp, Inc.****11. Financial instruments with off-balance sheet risk**

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

|   | <b>June 30,<br/>2004</b> | <b>December 31,<br/>2003</b> | <b>June 30,<br/>2003</b> |
|---|--------------------------|------------------------------|--------------------------|
| Commitment to sell fixed rate residential loans                                     | \$ 18,646                | \$ 12,962                    | \$ 339                   |
| Commitment to sell variable rate residential loans                                  | 8,000                    | 3,740                        |                          |
| Forward contracts to purchase mortgage-backed securities                            | 5,396                    | 8,611                        | 17,745                   |
| Commitments to purchase other investment securities                                 | 1,655                    |                              |                          |
| Commitments to purchase fixed rate residential loans                                | 80,000                   | 40,242                       |                          |
| Commitments to purchase variable rate residential loans                             | 9,877                    | 3,500                        | 29,000                   |
| Commitments to originate loans held for sale  | 22,644                   | 14,271                       |                          |
| Commitments to originate loans held to maturity                                     | 411,362                  | 370,071                      | 329,786                  |
| Commitments to extend credit, including the undisbursed portion of loans in process | 1,112,791                | 1,048,738                    | 818,032                  |
| Standby letters of credit   | 38,846                   | 31,722                       | 23,012                   |
| Commercial lines of credit  | 103,510                  | 162,623                      | 148,931                  |

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 \$33.8 million at June 30, 2004. 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 \$5.0 million at June 30, 2004. 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 is essentially the same as that involved in extending loan facilities to customers. BankAtlantic may hold certificates of deposit and residential and commercial liens as collateral for such commitments. Included in other liabilities at June 30, 2004 and December 31, 2003 was \$31,000 and \$110,000, respectively, of unearned guarantee fees.

Table of Contents**BankAtlantic Bancorp, Inc.****12. Discontinued operations**

In December 2003, the Company completed the spin-off of its wholly-owned subsidiary, Levitt, and transferred its investment in Bluegreen Corporation to Levitt. During the year ended December 31, 2003, Ryan Beck sold two of its subsidiaries, GMS and Cumberland. The above transactions were presented as discontinued operations in our statement of operations for the three and six months ended June 30, 2003.

The components of earnings from discontinued operations for the three and six months ended June 30, 2003 were as follows (in thousands):

|  | <b>For the<br/>Three<br/>Months<br/>Ended<br/>June 30,<br/>2003</b> | <b>For the Six<br/>Months<br/>Ended<br/>June 30,<br/>2003</b> |
|--|---|---|
| Net interest income  | \$ 2,034  | \$ 3,357  |
| <b>Non-Interest Income:</b>  |   |   |
| Investment banking income  | 7,526   | 13,845  |
| Income from real estate operations                                 | 18,278  | 32,049  |
| Income from unconsolidated subsidiaries                            | 2,550   | 2,356   |
| Other  | 1,341   | 2,209   |
| Total non-interest income  | 29,695  | 50,459  |
| <b>Non Interest Expenses:</b>                                      |   |   |
| Employee compensation and benefits                                 | 11,802  | 21,851  |
| Other  | 8,386   | 15,171  |
| Total non-interest expenses  | 20,188  | 37,022  |
| <b>Income from discontinued operations<br/>before income taxes</b> | 11,541  | 16,794  |
| Provision for income taxes   | 4,141   | 5,854   |
| <b>Income from discontinued operations,<br/>net of tax</b>         | \$ 7,400  | \$ 10,940   |

The assets and liabilities associated with discontinued operations included in the Company's statement of financial condition as of June 30, 2003 consisted of the following: (in thousands)

|   | <b>June 30,<br/>2003</b> |
|---|--------------------------|
| <b>Assets:</b>                            |                          |
| Cash                                      | \$ 19,430                |
| Securities owned                          | 133,683                  |
| Loans receivable                          | 4,809                    |
| Real estate inventory                     | 218,473                  |
| Investment in unconsolidated subsidiaries | 68,320                   |
| Goodwill                                  | 1,204                    |
| Other assets                              | 17,674                   |
|   | <hr/>                    |
| <b>Total assets</b>                       | <b>\$463,593</b>         |
|   | <hr/>                    |
| <b>Liabilities:</b>                       |                          |
| Notes payable                             | \$105,699                |
| Securities sold but not yet purchased     | 8,398                    |
| Due to clearing agent                     | 104,270                  |
| Other liabilities                         | 55,477                   |
|   | <hr/>                    |
| <b>Total liabilities</b>                  | <b>\$273,844</b>         |
|   | <hr/>                    |

**Table of Contents****BankAtlantic Bancorp, Inc.****13. Earnings per Share**

The following reconciles the numerators and denominators of the basic and diluted earnings per share computation for the three months and six months ended June 30, 2004 and 2003:

|  | <b>For the Three Months Ended<br/>June 30,</b> |                |
|--|--|----------------|
|  | <b>2004</b>                                    | <b>2003</b>    |
| <b>(In thousands, except share data)</b>                         |  |                |
| <b>Basic earnings per share</b>                                  |  |                |
| Income from continuing operations                                | \$ 18,260                                      | \$ 9,809       |
| Basic weighted average number of common shares outstanding       | 59,343,940                                     | 58,321,020     |
|  | <hr/>  | <hr/>          |
| Basic earnings per share from continuing operations              | \$ 0.31  | \$ 0.17        |
|  | <hr/>  | <hr/>          |
| Discontinued operations, net of taxes                            |  | 7,400          |
| Basic weighted average number of common shares outstanding       | 59,343,940                                     | 58,321,020     |
|  | <hr/>  | <hr/>          |
| Basic earnings per share from discontinued operations            |  | 0.13           |
|  | <hr/>  | <hr/>          |
| Net income   | \$ 18,260                                      | \$ 17,209      |
| Basic weighted average number of common shares outstanding       | 59,343,940                                     | 58,321,020     |
|  | <hr/>  | <hr/>          |
| <b>Basic earnings per share</b>                                  | <b>\$ 0.31</b>                                 | <b>\$ 0.30</b> |
|  | <hr/>  | <hr/>          |
| <b>Diluted earnings per share</b>                                |  |                |
| Income from continuing operations                                | \$ 18,260                                      | \$ 9,809       |
| Interest expense on convertible debentures                       |  | 129            |
| Subsidiary stock options   | (273)  | (27)           |
|  | <hr/>  | <hr/>          |
| Income available after assumed conversion                        | \$ 17,987                                      | \$ 9,911       |
|  | <hr/>  | <hr/>          |
| Basic weighted average shares outstanding                        | 59,343,940                                     | 58,321,020     |
| Common stock equivalents resulting from convertible debentures   |  | 1,213,470      |
| Common stock equivalents resulting from stock-based compensation | 3,463,743                                      | 2,364,434      |

|  |                             |                             |
|--|-----------------------------|-----------------------------|
|  | <u>                    </u> | <u>                    </u> |
| Diluted weighted average shares outstanding                  | 62,807,683                  | 61,898,924                  |
|  | <u>                    </u> | <u>                    </u> |
| Diluted earnings per share from continuing operations        | \$ 0.29                     | \$ 0.16                     |
|  | <u>                    </u> | <u>                    </u> |
| Discontinued operations, net of taxes                        |                             | 7,400                       |
| Diluted weighted average number of common shares outstanding | 62,807,683                  | 61,898,924                  |
|  | <u>                    </u> | <u>                    </u> |
| Diluted earnings per share from discontinued operations      |                             | 0.12                        |
|  | <u>                    </u> | <u>                    </u> |
| <b>Diluted earnings per share</b>                            | <b>\$ 0.29</b>              | <b>\$ 0.28</b>              |
|  | <u>                    </u> | <u>                    </u> |



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

|  | <b>For the Six Months Ended<br/>June 30,</b> |                |
|--|--|----------------|
|  | <b>2004</b>                                  | <b>2003</b>    |
| <b>(In thousands, except share data)</b>                         |  |                |
| <b>Basic earnings per share</b>                                  |  |                |
| Income from continuing operations                                | \$ 38,784                                    | \$ 20,627      |
| Basic weighted average number of common shares outstanding       | 59,300,605                                   | 58,246,733     |
|  | <hr/>  | <hr/>          |
| Basic earnings per share from continuing operations              | \$ 0.65                                      | \$ 0.35        |
|  | <hr/>  | <hr/>          |
| Discontinued operations, net of taxes                            |  | 10,940         |
| Basic weighted average number of common shares outstanding       | 59,300,605                                   | 58,246,733     |
|  | <hr/>  | <hr/>          |
| Basic earnings per share from discontinued operations            |  | 0.19           |
|  | <hr/>  | <hr/>          |
| Net income   | \$ 38,784                                    | \$ 31,567      |
| Basic weighted average number of common shares outstanding       | 59,300,605                                   | 58,246,733     |
|  | <hr/>  | <hr/>          |
| <b>Basic earnings per share</b>                                  | <b>\$ 0.65</b>                               | <b>\$ 0.54</b> |
|  | <hr/>  | <hr/>          |
| <b>Diluted earnings per share</b>                                |  |                |
| Income from continuing operations                                | \$ 38,784                                    | \$ 20,627      |
| Interest expense on convertible debentures                       |  | 569            |
| Subsidiary stock options   | (472)  | (74)           |
|  | <hr/>  | <hr/>          |
| Income available after assumed conversion                        | \$ 38,312                                    | \$ 21,122      |
|  | <hr/>  | <hr/>          |
| Basic weighted average shares outstanding                        | 59,300,605                                   | 58,246,733     |
| Common stock equivalents resulting from convertible debentures   |  | 2,645,093      |
| Common stock equivalents resulting from stock-based compensation | 3,678,558                                    | 2,155,856      |
|  | <hr/>  | <hr/>          |
| Diluted weighted average shares outstanding                      | 62,979,163                                   | 63,047,682     |
|  | <hr/>  | <hr/>          |

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|  |                   |                   |
|--|-------------------|-------------------|
| Diluted earnings per share from continuing operations        | \$ 0.61           | \$ 0.33           |
|  | <u>          </u> | <u>          </u> |
| Discontinued operations, net of taxes                        |                   | 10,940            |
| Diluted weighted average number of common shares outstanding | 62,979,163        | 63,047,682        |
|  | <u>          </u> | <u>          </u> |
| Diluted earnings per share from discontinued operations      |                   | 0.18              |
|  | <u>          </u> | <u>          </u> |
| <b>Diluted earnings per share</b>                            | \$ 0.61           | \$ 0.51           |
|  | <u>          </u> | <u>          </u> |

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**BankAtlantic Bancorp, Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

The objective of the following discussion is to provide an understanding of the financial condition and results of operations of BankAtlantic Bancorp, Inc. (the Company, which may also be referred to as we, us, or our) and its subsidiaries for the three and six months ended June 30, 2004 and 2003. The principal assets of the Company consist of its ownership of these subsidiaries, which include BankAtlantic, a federal savings bank headquartered in Fort Lauderdale, Florida and its subsidiaries (BankAtlantic or Bank) and RB Holdings, Inc., the holding company for Ryan Beck & Co., Inc., a brokerage and investment banking firm, and its subsidiaries (Ryan Beck).

Except for historical information contained herein, the matters discussed in this document contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. When used in this document and in any documents incorporated by reference herein, the words anticipate, believe, estimate, may, intend, expect and similar expressions identify certain of such forward-looking statements. Actual results, performance, or achievements could differ materially from those contemplated, expressed, or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of the Company and are subject to a number of risks and uncertainties that are subject to change based on factors which are, in many instances, beyond the Company's control. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, products and services; credit risks and loan losses, and the related sufficiency of the allowance for loan losses; changes in interest rates and the effects of, and changes in, trade, monetary and fiscal policies and laws; increases in costs associated with regulatory compliance; adverse conditions in the stock market, the public debt market and other capital markets and the impact of such conditions on our activities and the value of our assets; BankAtlantic's seven-day banking initiative and other growth initiatives not being successful or producing results which do not justify their costs; as well as the impact of periodic testing of goodwill and other intangible assets for impairment; and BankAtlantic's achieving the benefits of its prepayment of certain Federal Home Loan Bank (FHLB) advances. Further, this document contains forward-looking statements relating to BankAtlantic's de novo branch expansion strategy, existing branch renovation plans and branch branding initiative which are subject to a number of risks and uncertainties, including that the number of new branches may be less than anticipated, that required capital expenditures or operating costs will be higher than anticipated and that the de novo branch expansion strategy, existing branch renovation plans and branch branding initiative will not be successful or will not produce results which justify their costs. Further this document contains forward-looking statements with respect to Ryan Beck, which are subject to a number of risks and uncertainties, including, but not limited to: the risks and uncertainties associated with its operations, products and services; changes in economic or regulatory policies; the volatility of the stock market and fixed income markets, including the market's impact on Ryan Beck's trading activities; the success of any new lines of business in which it may engage; and uncertainties associated with litigation brought against Gruntal & Co., LLC (Gruntal), a company in which certain assets were acquired and certain liabilities were assumed by Ryan Beck in 2002. In addition to the risks and factors identified above, reference is also made to other risks and factors detailed in reports filed by the Company with the Securities and Exchange Commission. The Company cautions that the foregoing factors are not exclusive.

**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 statement of operations for the periods presented. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in subsequent periods relate to the determination of the allowance for loan losses, evaluation of goodwill and other intangible assets for impairment, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the valuation of the fair value of assets and liabilities in the application of the purchase method of accounting, the valuation of securities, the amount of the deferred tax asset valuation allowance, and accounting for contingencies. The six accounting policies that we have identified as critical accounting policies are: (i) allowance for loan losses; (ii) valuation of securities; (iii) impairment of goodwill and other intangible assets; (iv) impairment of long-lived assets; (v) accounting for business combinations; and (vi) accounting for contingencies. For a

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

more detailed discussion of these critical accounting policies see Critical Accounting Policies appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

**Summary Consolidated Results of Operations**

|                                     | <b>For Three Months Ended June 30,</b> |             |               | <b>For Six Months Ended June 30,</b> |             |               |
|-------------------------------------|--|-------------|---------------|--------------------------------------|-------------|---------------|
|                                     | <b>2004</b>                            | <b>2003</b> | <b>Change</b> | <b>2004</b>                          | <b>2003</b> | <b>Change</b> |
| <b>(in thousands)</b>               |  |             |               |                                      |             |               |
| BankAtlantic                        | \$ 13,995                              | \$ 12,958   | \$ 1,037      | \$ 17,301                            | \$ 24,360   | \$ (7,059)    |
| Ryan Beck                           | 7,014                                  | 925         | 6,089         | 12,142                               | 2,749       | 9,393         |
| Parent Company                      | (2,749)                                | (4,074)     | 1,325         | 9,341                                | (6,482)     | 15,823        |
| Income from continuing operations   | 18,260                                 | 9,809       | 8,451         | 38,784                               | 20,627      | 18,157        |
| Discontinued operations, net of tax |  | 7,400       | (7,400)       |                                      | 10,940      | (10,940)      |
| Net income                          | \$ 18,260                              | \$ 17,209   | \$ 1,051      | \$ 38,784                            | \$ 31,567   | \$ 7,217      |

**For the Three Months Ended June 30, 2004 Compared to the Same 2003 Period:**

Income from continuing operations increased 86% from the same 2003 period. This increase was primarily related to a 658% increase in earnings at Ryan Beck and an 8% increase in earnings at BankAtlantic.

The significant increase in Ryan Beck earnings was attributable to increased merger and acquisition-related business during the quarter that resulted in higher fee income for its investment banking segment. The higher investment banking revenues were partially offset by lower revenues from commissions and principal transactions reflecting decreased activity by individual customers based on market conditions during the period.

The increased earnings at BankAtlantic was primarily the result of additional fee income related to increased deposit accounts at the Bank, an improvement in the provision for loan losses and an increase in the net interest margin.

The additional fee income earned on deposit accounts is primarily attributable to BankAtlantic's Florida's Most Convenient Bank initiatives. Since inception of these initiatives in January 2002, BankAtlantic has opened over 331,000 new checking and savings accounts, including approximately 42,000 during the second quarter of 2004.

The credit quality of BankAtlantic's loan portfolio continued to improve during the second quarter of 2004 as

BankAtlantic continued to emphasize collateral based lending and the balances of discontinued loan products continued to decline. During the quarter, BankAtlantic recovered \$2.1 million from the guarantor on a residential construction loan that was charged-off in July 2002. Primarily as a result of this recovery and recoveries associated with discontinued loan products, BankAtlantic had net recoveries for the quarter of \$3.3 million.

The improvement in BankAtlantic's net interest margin reflects the growth in low cost deposits plus prepayments of high cost FHLB advances that occurred in each of the three preceding quarters.

The above favorable effects on earnings were partially offset by higher compensation, occupancy and advertising expenses primarily associated with the Florida's Most Convenient Bank initiatives and lower real estate revenues associated with a real estate joint venture.

In December 2003, the Company completed the spin-off of its wholly-owned subsidiary, Levitt Corporation ( Levitt ), and transferred its investment in Bluegreen Corporation to Levitt. During the year ended December 31, 2003, Ryan Beck sold two of its subsidiaries, GMS and Cumberland. The above transactions were presented as discontinued operations in our statement of operations for the three months and six months ended June 30, 2003.

In July 2004, BankAtlantic announced a branch expansion and renovation strategic plan. The goals of the plan are to renovate all 73 existing branches by December 2005 and to open between eight to ten new branches during 2005. The plan was adopted in response to the early success of the Florida's Most Convenient Bank initiatives, including the

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**BankAtlantic Bancorp, Inc.**

growth in BankAtlantic's low cost deposits, since January 2002 and the desire to expand its operations in its current markets and to other markets.

**For the Six Months Ended June 30, 2004 Compared to the Same 2003 Period:**

Income from continuing operations increased 88% from the same 2003 period, primarily as a result of the items discussed above. Additionally, income from continuing operations in the first quarter of 2004 was enhanced by recognition of a \$22.8 million gain in connection with a March 2004 settlement of litigation with a technology company in which the Company was an investor. Income from continuing operations for the 2004 period was partially offset by prepayment penalties of \$11.7 million that BankAtlantic incurred by prepaying high fixed interest rate FHLB advances totaling \$108 million. Excluding the impact of the litigation settlement gain and the cost associated with FHLB advance prepayment penalties and other debt redemptions, income from continuing operations would have been \$31.6 million for the first six months of 2004, representing a 45% increase over \$21.7 million earned for the corresponding period in 2003.

**Table of Contents****Bank Atlantic Bancorp. Inc.****Bank Results of Operations***Net interest income*

**Average Balance Sheet - Yield / Rate Analysis  
For the Three Months Ended**

|  | June 30, 2004      |                     |                | June 30, 2003      |                     |                |
|--|--------------------|---------------------|----------------|--------------------|---------------------|----------------|
|  | Average<br>Balance | Revenue/<br>Expense | Yield/<br>Rate | Average<br>Balance | Revenue/<br>Expense | Yield/<br>Rate |
| <b>(Dollars in thousands)</b>            |                    |                     |                |                    |                     |                |
| <b>Interest earning assets</b>           |                    |                     |                |                    |                     |                |
| Loans:                                   |                    |                     |                |                    |                     |                |
| Residential real estate                  | \$1,386,482        | 15,781              | 4.55%          | \$1,880,890        | \$22,556            | 4.80%          |
| Commercial real estate                   | 1,641,438          | 22,670              | 5.52           | 1,554,965          | 23,374              | 6.01           |
| Consumer                                 | 403,824            | 4,067               | 4.03           | 306,740            | 3,520               | 4.59           |
| Lease financing                          | 11,526             | 317                 | 11.00          | 22,713             | 648                 | 11.41          |
| Commercial business                      | 103,780            | 1,589               | 6.12           | 106,323            | 1,496               | 5.63           |
| Small business                           | 182,171            | 3,223               | 7.08           | 158,798            | 2,895               | 7.29           |
| Total loans                              | 3,729,221          | 47,647              | 5.11           | 4,030,429          | 54,489              | 5.41           |
| Investments - tax exempt                 | 72,675             | 938                 | (1) 5.16       |                    |                     |                |
| Investments - taxable                    | 620,285            | 8,505               | 5.48           | 900,224            | 12,848              | 5.71           |
| Total interest earning assets            | 4,422,181          | 57,090              | 5.16%          | 4,930,653          | 67,337              | 5.46%          |
| Goodwill and core deposit<br>intangibles | 81,849             |                     |                | 83,591             |                     |                |
| Other non-interest earning assets        | 251,755            |                     |                | 237,074            |                     |                |
| Total Assets                             | \$4,755,785        |                     |                | \$5,251,318        |                     |                |
| <b>Interest bearing liabilities</b>      |                    |                     |                |                    |                     |                |
| Deposits:                                |                    |                     |                |                    |                     |                |
| Savings                                  | \$ 242,506         | 161                 | 0.27%          | \$ 185,685         | \$ 268              | 0.58%          |
| NOW                                      | 586,259            | 534                 | 0.37           | 454,108            | 561                 | 0.50           |
| Money funds                              | 912,065            | 2,116               | 0.93           | 836,246            | 2,625               | 1.26           |
| Certificate accounts                     | 709,523            | 3,977               | 2.25           | 913,564            | 6,304               | 2.77           |



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|  |                    |               |              |                    |               |              |
|--|--------------------|---------------|--------------|--------------------|---------------|--------------|
| Total deposits                                   | <u>2,450,353</u>   | <u>6,788</u>  | <u>1.11</u>  | <u>2,389,603</u>   | <u>9,758</u>  | <u>1.64</u>  |
| Short-term borrowed funds                        | 300,460            | 702           | 0.94         | 436,975            | 1,337         | 1.23         |
| Advances from FHLB                               | 696,661            | 7,769         | 4.49         | 1,313,896          | 15,291        | 4.67         |
| Long-term debt                                   | <u>36,429</u>      | <u>505</u>    | <u>5.58</u>  | <u>33,684</u>      | <u>491</u>    | <u>5.85</u>  |
| Total interest bearing liabilities               | 3,483,903          | 15,764        | 1.82         | 4,174,158          | 26,877        | 2.58         |
| Non-interest bearing deposits                    | 755,593            |               |              | 535,567            |               |              |
| Non-interest bearing other liabilities           | <u>24,585</u>      |               |              | <u>71,454</u>      |               |              |
| Total Liabilities                                | 4,264,081          |               |              | 4,781,179          |               |              |
| Stockholder's equity                             | <u>491,704</u>     |               |              | <u>470,139</u>     |               |              |
| Total liabilities and stockholder's equity       | <u>\$4,755,785</u> |               |              | <u>\$5,251,318</u> |               |              |
| Net interest income/ net interest spread         |                    | \$41,326      | <u>3.34%</u> |                    | \$40,460      | <u>2.88%</u> |
| Tax equivalent adjustment                        |                    | (328)         |              |                    |               |              |
| Capitalized interest from real estate operations |                    | <u>346</u>    |              |                    | <u>256</u>    |              |
| Net interest income                              |                    | <u>41,344</u> |              |                    | <u>40,716</u> |              |
| Margin   |                    |               |              |                    |               |              |
| Interest income/interest earning assets          |                    |               | 5.16%        |                    |               | 5.46%        |
| Interest expense/interest earning assets         |                    |               | <u>1.43</u>  |                    |               | <u>2.19</u>  |
| Net interest margin                              |                    |               | <u>3.73%</u> |                    |               | <u>3.27%</u> |

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

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**BankAtlantic Bancorp, Inc.**

**For the Three Months Ended June 30, 2004 Compared to the Same 2003 Period:**

The increase in net interest income primarily resulted from an improvement in the net interest margin and a significant increase in low cost deposits. While further margin improvement will largely depend on the future pattern of interest rates, we believe our level of low cost deposits, coupled with the positioning of our balance sheet for rising interest rates should enable BankAtlantic to benefit from a higher interest rate environment.

The significant factors resulting in the improvement in the net interest margin were a substantial reduction in our deposit interest expense associated with a change in our deposit mix, the repayment of high rate FHLB advances and a historically low interest rate environment during the current quarter. These factors were partially offset by a decline in average asset yields primarily due to the downward re-pricing of floating rate loans and new loans being originated or purchased at rates lower than maturing or prepaid loans.

A major factor resulting in the reduction in deposit interest expense was low cost deposit growth. Low cost deposits comprised approximately 50% of all deposits at June 30, 2004 versus 41% at June 30, 2003. Higher rate certificate of deposit accounts declined from 30% of total deposits at June 30, 2003 to 22% at June 30, 2004. Growth in BankAtlantic's low cost deposit accounts is primarily attributable to its Florida's Most Convenient Bank initiatives.

BankAtlantic's average interest earning asset balances declined primarily due to falling interest rates resulting in increased refinancing and prepayment of many residential loans originated or purchased by BankAtlantic. This reduced the balances in both its residential mortgage loan portfolio and its taxable investment securities portfolio. At the same time, BankAtlantic experienced growth in its commercial real estate loans and in consumer equity lines of credit and invested in tax exempt securities, which slightly mitigated the negative impact of the residential loan refinancings and prepayments.

BankAtlantic chose to use some of the proceeds from maturing loans and investments to decrease borrowings. BankAtlantic prepaid some of its FHLB advances in each of the three preceding quarters with a view towards favorably impacting its net interest margin in future periods. Despite these prepayments, BankAtlantic's average FHLB advance rates only declined slightly from the comparable 2003 period because a portion of the remaining FHLB advance borrowings have higher rates than the prepaid FHLB advances. Also, interest expense on BankAtlantic's short-term borrowings was substantially lower during the current quarter due to the lower rates and lower balances on its debt.

**Table of Contents****BankAtlantic Bancorp, Inc.****For the Six Months Ended**

|  | <b>June 30, 2004</b>       |                             |                        | <b>June 30, 2003</b>       |                             |                        |
|--|----------------------------|-----------------------------|------------------------|----------------------------|-----------------------------|------------------------|
|  | <b>Average<br/>Balance</b> | <b>Revenue/<br/>Expense</b> | <b>Yield/<br/>Rate</b> | <b>Average<br/>Balance</b> | <b>Revenue/<br/>Expense</b> | <b>Yield/<br/>Rate</b> |
| <b>(in thousands)</b>                    |                            |                             |                        |                            |                             |                        |
| Loans:                                   |                            |                             |                        |                            |                             |                        |
| Residential real estate                  | \$1,356,271                | 31,722                      | 4.68%                  | \$1,721,109                | 44,142                      | 5.13%                  |
| Commercial real estate                   | 1,665,700                  | 46,364                      | 5.57                   | 1,542,751                  | 46,241                      | 5.99                   |
| Consumer                                 | 389,023                    | 7,967                       | 4.10                   | 301,735                    | 6,988                       | 4.63                   |
| Lease financing                          | 12,584                     | 698                         | 11.09                  | 26,318                     | 1,482                       | 11.26                  |
| Commercial business                      | 101,369                    | 3,089                       | 6.09                   | 103,553                    | 2,945                       | 5.69                   |
| Small business                           | 178,031                    | 6,308                       | 7.09                   | 161,460                    | 5,932                       | 7.35                   |
|  | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>                      | <hr/>                       | <hr/>                  |
| Total loans                              | 3,702,978                  | 96,148                      | 5.19                   | 3,856,926                  | 107,730                     | 5.59                   |
| Investments tax exempt                   | 38,019                     | 989                         | (1) 5.20               |                            |                             | 0.00                   |
| Investments taxable                      | 580,382                    | 16,314                      | 5.62                   | 926,628                    | 26,536                      | 5.73                   |
|  | <hr/>                      | <hr/>                       |                        | <hr/>                      | <hr/>                       | <hr/>                  |
| Total interest earning assets            | 4,321,379                  | 113,451                     | 5.25%                  | 4,783,554                  | 134,266                     | 5.61%                  |
|  |                            | <hr/>                       | <hr/>                  |                            | <hr/>                       | <hr/>                  |
| Goodwill and core deposit<br>intangibles | 82,056                     |                             |                        | 84,170                     |                             |                        |
| Other non-interest earning<br>assets     | 245,915                    |                             |                        | 249,449                    |                             |                        |
|  | <hr/>                      |                             |                        | <hr/>                      |                             |                        |
| Total Assets                             | \$4,649,350                |                             |                        | \$5,117,173                |                             |                        |
|  | <hr/>                      |                             |                        | <hr/>                      |                             |                        |
| Deposits:                                |                            |                             |                        |                            |                             |                        |
| Savings                                  | \$ 231,256                 | 304                         | 0.26%                  | \$ 178,531                 | 584                         | 0.66%                  |
| NOW                                      | 564,939                    | 1,026                       | 0.37                   | 439,944                    | 1,103                       | 0.51                   |
| Money funds                              | 889,416                    | 3,992                       | 0.90                   | 822,938                    | 5,278                       | 1.29                   |
| Certificate accounts                     | 739,736                    | 8,439                       | 2.29                   | 940,069                    | 13,962                      | 3.00                   |
|  | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>                      | <hr/>                       | <hr/>                  |
| Total deposits                           | 2,425,347                  | 13,761                      | 1.14                   | 2,381,482                  | 20,927                      | 1.77                   |
|  | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>                      | <hr/>                       | <hr/>                  |
| Short-term borrowed funds                | 225,597                    | 1,004                       | 0.89                   | 361,763                    | 2,174                       | 1.21                   |
| Advances from FHLB                       | 728,817                    | 16,867                      | 4.65                   | 1,299,519                  | 30,607                      | 4.75                   |

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|  |                    |               |              |                    |               |              |
|--|--------------------|---------------|--------------|--------------------|---------------|--------------|
| Long-term debt                                   | <u>36,136</u>      | <u>987</u>    | <u>5.49</u>  | <u>34,543</u>      | <u>938</u>    | <u>5.48</u>  |
| Total interest bearing liabilities               | 3,415,897          | 32,619        | 1.92         | 4,077,307          | 54,646        | 2.70         |
| Non-interest bearing deposits                    | 710,194            |               |              | 507,119            |               |              |
| Non-interest bearing other liabilities           | <u>29,305</u>      |               |              | <u>67,518</u>      |               |              |
| Total Liabilities                                | 4,155,396          |               |              | 4,651,944          |               |              |
| Stockholder's equity                             | <u>493,954</u>     |               |              | <u>465,229</u>     |               |              |
| Total liabilities and stockholder's equity       | <u>\$4,649,350</u> |               |              | <u>\$5,117,173</u> |               |              |
| Net interest income/net interest spread          |                    | \$ 80,832     | <u>3.33%</u> |                    | \$ 79,620     | <u>2.91%</u> |
| Tax equivalent adjustment                        |                    | (346)         |              |                    |               |              |
| Capitalized interest from real estate operations |                    | <u>653</u>    |              |                    | <u>595</u>    |              |
| Net interest income                              |                    | <u>81,139</u> |              |                    | <u>80,215</u> |              |
| <b>Margin</b>                                    |                    |               |              |                    |               |              |
| Interest income/interest earning assets          |                    |               | 5.25%        |                    |               | 5.61%        |
| Interest expense/interest earning assets         |                    |               | <u>1.52</u>  |                    |               | <u>2.30</u>  |
| Net interest margin                              |                    |               | <u>3.73%</u> |                    |               | <u>3.31%</u> |

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

**For the Six Months Ended June 30, 2004 Compared to the Same 2003 Period:**

Net interest income for the six month period increased slightly from 2003 levels. The increase resulted primarily from the items discussed above for the three months ended June 30, 2004.



**Table of Contents****BankAtlantic Bancorp, Inc.***Provision for Loan Losses*

|   | <b>For Three Months Ended<br/>June 30,</b> |                   | <b>For Six Months Ended<br/>June 30,</b> |                   |
|---|--|-------------------|--|-------------------|
|   | <b>2004</b>                                | <b>2003</b>       | <b>2004</b>                              | <b>2003</b>       |
| <b>(in thousands)</b>                       |  |                   |  |                   |
| <b>Balance, beginning of period</b>         | \$45,383                                   | \$48,695          | \$45,595                                 | \$48,022          |
| <b>Charge-offs:</b>                         |  |                   |  |                   |
| Small business                              |  | (171)             |  | (417)             |
| Consumer loans                              | (241)                                      | (310)             | (390)                                    | (545)             |
| Residential real estate loans               | (124)                                      | (98)              | (355)                                    | (212)             |
| Discontinued loan products                  | (159)                                      | (1,978)           | (646)                                    | (4,975)           |
|   | <u>          </u>                          | <u>          </u> | <u>          </u>                        | <u>          </u> |
| <b>Total charge-offs</b>                    | (524)                                      | (2,557)           | (1,391)                                  | (6,149)           |
|   | <u>          </u>                          | <u>          </u> | <u>          </u>                        | <u>          </u> |
| <b>Recoveries:</b>                          |  |                   |  |                   |
| Commercial business loans                   | 256  | 21                | 324                                      | 49                |
| Commercial real estate loans                | 2,050                                      |                   | 2,051                                    | 1                 |
| Small business                              | 233  | 18                | 242                                      | 373               |
| Consumer loans                              | 106  | 130               | 154                                      | 306               |
| Residential real estate loans               | 217  | 61                | 243                                      | 118               |
| Discontinued loan products                  | 979  | 1,718             | 2,341                                    | 5,250             |
|   | <u>          </u>                          | <u>          </u> | <u>          </u>                        | <u>          </u> |
| <b>Total recoveries</b>                     | 3,841                                      | 1,948             | 5,355                                    | 6,097             |
|   | <u>          </u>                          | <u>          </u> | <u>          </u>                        | <u>          </u> |
| <b>Net (charge-offs) recoveries</b>         | 3,317                                      | (609)             | 3,964                                    | (52)              |
| Provision for (recovery from) loan losses   | (1,963)                                    | 1,490             | (2,822)                                  | 2,340             |
| Adjustments to provision for acquired loans |  |                   |  | (734)             |
|   | <u>          </u>                          | <u>          </u> | <u>          </u>                        | <u>          </u> |
| <b>Balance, end of period</b>               | \$46,737                                   | \$49,576          | \$46,737                                 | \$49,576          |
|   | <u>          </u>                          | <u>          </u> | <u>          </u>                        | <u>          </u> |

**For the Three and Six Months Ended June 30, 2004 Compared to the Same 2003 Periods:**

The substantial improvement in net charge-offs primarily resulted from a \$2.1 million recovery in the 2004 second quarter of a residential construction loan that was charged off in 2002 and lower net charge-offs associated with discontinued loan products. The remaining balance of these discontinued loan products declined to \$19.6 million from

\$51.4 million a year earlier. Discontinued loan products are lease financing, indirect consumer lending, non-real estate syndication lending, and certain types of small business lending.

The negative provisions for loan losses during the 2004 periods were due to a \$2.1 million residential construction loan recovery and recoveries on other loans, partially offset by \$2.1 million of specific reserves relating to two commercial business loans and one aviation lease having an aggregate outstanding balance of \$4.6 million. The reserves were established due to the weakened financial conditions of the borrowers.

BankAtlantic's allowance for loan losses was 1.18% and 1.22% of total loans at June 30, 2004 and 2003, respectively. The historically low charge-off experience and the resulting decrease in the allowance for loan losses as a percent of total loans reflect the continued improvement in credit quality largely associated with an increased emphasis on collateral based lending, coupled with the run-off of discontinued loan products in the portfolio.

Adjustments in the 2003 first quarter to the allowance for loan losses were associated with loans acquired in connection with the 2002 purchase of Community Savings Bancshares, Inc. ( Community or Community Savings ). BankAtlantic reduced its allowance for loan losses and reduced goodwill by \$734,000 during the 2003 first quarter for those acquired loans which had been assigned a valuation allowance at the acquisition date and which had either matured or were prepaid.

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

At the indicated dates, the Company's non-performing assets and potential problem loans were (in thousands):

|  | <b>June 30,<br/>2004</b> | <b>December<br/>31,<br/>2003</b> |
|--|--------------------------|----------------------------------|
|  | <u>          </u>        | <u>          </u>                |
| <b>NONPERFORMING ASSETS</b>            |                          |                                  |
| <b>Nonaccrual:</b>                     |                          |                                  |
| Tax certificates                       | \$ 586                   | \$ 894                           |
| Loans and leases                       | 12,711                   | 10,803                           |
|  | <u>          </u>        | <u>          </u>                |
| Total nonaccrual                       | 13,297                   | 11,697                           |
|  | <u>          </u>        | <u>          </u>                |
| <b>Reposessed assets:</b>              |                          |                                  |
| Real estate owned                      | 1,321                    | 2,422                            |
|  | <u>          </u>        | <u>          </u>                |
| Total nonperforming assets             | 14,618                   | 14,119                           |
| Specific valuation allowances          | (2,095)                  |                                  |
|  | <u>          </u>        | <u>          </u>                |
| <b>Total nonperforming assets, net</b> | <b>\$12,523</b>          | <b>\$14,119</b>                  |
|  | <u>          </u>        | <u>          </u>                |
| <b>Allowances</b>                      |                          |                                  |
| Allowance for loan losses              | \$46,737                 | \$45,595                         |
| Allowance for tax certificate losses   | 3,369                    | 2,870                            |
|  | <u>          </u>        | <u>          </u>                |
| <b>Total Allowances</b>                | <b>\$50,106</b>          | <b>\$48,465</b>                  |
|  | <u>          </u>        | <u>          </u>                |
| <b>POTENTIAL PROBLEM LOANS</b>         |                          |                                  |
| Contractually past due 90 days or more | \$ 1                     | \$ 135                           |
| Performing impaired loans              | 199                      | 180                              |
| Restructured loans                     | 31                       | 1,387                            |
|  | <u>          </u>        | <u>          </u>                |
| <b>TOTAL POTENTIAL PROBLEM LOANS</b>   | <b>\$ 231</b>            | <b>\$ 1,702</b>                  |
|  | <u>          </u>        | <u>          </u>                |



Non-performing assets increased slightly from December 2003. The ratio of non-performing assets to total loans, tax certificates and repossessed assets declined from 0.36% at December 31, 2003 to 0.35% at June 30, 2004. During the 2004 period, non-performing assets were unfavorably impacted by two loans and one aviation lease transferring to non-accrual status as a result of the weakened financial conditions of the borrowers. The aviation lease was included in restructured loans at December 31, 2003. Non-performing assets were favorably impacted by fewer residential non-performing loans partly due to increased efforts on the collection of residential loans serviced by others. The decline in repossessed assets was primarily due to the runoff of discontinued loan products, sale of real estate owned and strengthened credit standards.

*Non-Interest Income*

|  | For Three Months Ended June 30, |                   |                   | For Six Months Ended June 30, |                   |                   |
|--|---------------------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|
|  | 2004                            | 2003              | Change            | 2004                          | 2003              | Change            |
| <b>Banking Operations<br/>(In thousands)</b> |                                 |                   |                   |                               |                   |                   |
| Other service charges and fees               | \$ 6,431                        | \$ 6,071          | \$ 360            | \$11,068                      | \$ 9,989          | \$ 1,079          |
| Service charges on deposits                  | 13,028                          | 9,605             | 3,423             | 24,305                        | 18,163            | 6,142             |
| Income from real estate joint venture        | 683                             | 4,136             | (3,453)           | 988                           | 5,222             | (4,234)           |
| Securities activities, net                   |                                 | (19)              | 19                | (3)                           | (40)              | 37                |
| Other  | 2,027                           | 1,700             | 327               | 4,031                         | 3,273             | 758               |
|  | <u>          </u>               | <u>          </u> | <u>          </u> | <u>          </u>             | <u>          </u> | <u>          </u> |
| Non-interest income                          | \$22,169                        | \$21,493          | \$ 676            | \$40,389                      | \$36,607          | \$ 3,782          |
|  | <u>          </u>               | <u>          </u> | <u>          </u> | <u>          </u>             | <u>          </u> | <u>          </u> |

**For the Three and Six Months Ended June 30, 2004 Compared to the Same 2003 Periods:**

The higher non-interest income was primarily due to service charges and fees associated with a substantial increase in deposit customers. This increase was partially offset by a decline in real estate income associated with real estate activities of a joint venture that was acquired in connection with the Community acquisition.

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

The increase in deposit accounts was primarily the result of BankAtlantic's Florida's Most Convenient Bank initiatives. Since launching these initiatives in January 2002, BankAtlantic has opened over 331,000 new checking and savings accounts, including approximately 42,000 and 87,000 in the three and six months ended June 30, 2004, respectively. The Florida's Most Convenient Bank initiatives include seven-day branch banking, extended weekday branch hours, 24/7 live customer service, Totally Free Checking, free online banking, and dozens of other products and services not offered by BankAtlantic prior to January 2002.

The increase in other service charges and fees resulted from an 18% and 20% increase, respectively, in fees received from check card and ATM usage. This increase was chiefly due to the increased number of deposit accounts which resulted in increased usage of check cards and ATMs, and an increase in debit card interchange fees during 2004. The additional ATM and debit card income was partially offset by lower late payment fees and prepayment penalties on loans.

Revenues from deposit service charges were up 36% and 34% over the comparable 2003 periods. The increase was primarily the result of overdraft fees from transaction accounts. Overdraft fee income increased from \$8.7 million and \$16.3 million during the three and six months ended June 30, 2003, respectively, to \$11.8 million and \$21.9 million during the same 2004 periods. The higher overdraft fees were due to both an increase in the number of accounts and additional fees assessed on overdrafts.

Real estate income reflects income of a joint venture acquired as part of the Community acquisition. The decrease in real estate income reflects a decline in the number of units closed by the joint venture, compared to the same 2003 periods. During the three and six months ended June 30, 2004, the joint venture had closings of 5 units and 7 units, respectively. During the same 2003 periods, the joint venture closed on 12 units and 17 units, respectively.

Other income reported for the three and six months ended June 30, 2004 was favorably impacted by an \$115,000 and a \$245,000 increase, respectively, in gains on loans held for sale. The additional loan sale income was associated with the origination of residential loans held for sale with an independent mortgage company, a program which the Bank initiated in August 2003. Other income also included an increase in fee income received for banking services provided to our deposit customers.

*Non-Interest Expense*

| <b>Banking Operations<br/>(In thousands)</b> | <b>For Three Months<br/>Ended June 30,</b> |             |               | <b>For Six Months<br/>Ended June 30,</b> |             |               |
|--|--|-------------|---------------|--|-------------|---------------|
|  | <b>2004</b>                                | <b>2003</b> | <b>Change</b> | <b>2004</b>                              | <b>2003</b> | <b>Change</b> |
| Employee compensation and benefits           | \$23,135                                   | \$20,466    | \$ 2,669      | \$46,164                                 | \$39,934    | \$ 6,230      |
| Occupancy and equipment                      | 7,809                                      | 6,715       | 1,094         | 14,955                                   | 13,363      | 1,592         |
| Advertising and promotion                    | 4,161                                      | 2,874       | 1,287         | 7,624                                    | 4,473       | 3,151         |
| Amortization of intangible assets            | 425  | 439         | (14)          | 864                                      | 893         | (29)          |
| Cost associated with debt redemption         |  |             |               | 11,741                                   |             | 11,741        |
| Professional fees                            | 807  | 1,025       | (218)         | 2,065                                    | 2,121       | (56)          |

|                      |                 |                 |                 |                 |                 |                 |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Other                | <u>7,233</u>    | <u>9,138</u>    | <u>(1,905)</u>  | <u>14,289</u>   | <u>16,202</u>   | <u>(1,913)</u>  |
| Non-interest expense | <u>\$43,570</u> | <u>\$40,657</u> | <u>\$ 2,913</u> | <u>\$97,702</u> | <u>\$76,986</u> | <u>\$20,716</u> |

**For the Three and Six Months Ended June 30, 2004 Compared to the Same 2003 Periods:**

Compensation and benefit expenses increased 13% and 16% in the second quarter and first half of 2004, respectively, compared to the same 2003 periods. In addition to annual employee salary increases, the growth in this expense category resulted in large part from an increase in the number of BankAtlantic employees and higher employee benefit costs. The Florida's Most Convenient Bank initiatives, which include extended branch business hours and services, and the resulting substantial increase in deposit customers, required BankAtlantic to hire additional employees to staff its branches and operations. The number of full time equivalent BankAtlantic employees increased to 1,453 at June 30, 2004, versus 1,244 at December 31, 2002.

Occupancy and equipment expenses during the second quarter of 2004 increased 16% over those in the second quarter of 2003. The higher expenses resulted from additional depreciation expense associated with branch fixed assets and leasehold improvements. In June 2004, BankAtlantic initiated a program to renovate its existing 73 branches.

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**BankAtlantic Bancorp, Inc.**

Management anticipates that the renovation plan will be completed by December 2005. In connection with this program and in conjunction with this decision, BankAtlantic shortened the estimated useful lives of branch fixed assets and leasehold improvements affected by the renovation plans, causing an acceleration in depreciation expense on \$2.8 million of fixed assets and leasehold improvements. The shortened asset lives increased depreciation expense by approximately \$400,000 during the second quarter of 2004, and will increase depreciation expense in subsequent quarters through December 2005. The remaining increase in occupancy and equipment expenses for the three and six months ended June 30, 2004 was due to the engagement of additional guard services to increase security at BankAtlantic's branches during extended business hours.

Advertising expenses during the three and six months ended June 30, 2004 increased significantly as a direct result of an aggressive BankAtlantic marketing campaign that commenced in early 2004 and included television and radio advertising to promote the Bank's Florida's Most Convenient Bank initiatives. The marketing campaign is ongoing, and BankAtlantic anticipates continued higher advertising and promotion expenditures during the 2004 fiscal year compared to those incurred during the 2003 fiscal year.

The cost associated with debt redemption related to a prepayment penalty of \$11.7 million incurred when BankAtlantic prepaid \$108 million of FHLB advances with an average interest rate of 5.55% and originally maturing in 2007-2008. BankAtlantic expects to recover this expense in future periods through the savings realized from lower borrowing costs.

Professional fees for the three and six months ended June 30, 2004 declined primarily because the Bank had incurred significant legal fees during the comparable 2003 periods in connection with a lawsuit filed against it relating to the Florida's Most Convenient Bank initiatives. The decline in fees was partially offset by increased professional fees incurred during the 2004 periods in connection with regulatory compliance.

The decrease in other expenses for the three months ended June 30, 2004, compared to the same 2003 period, primarily resulted from a \$257,000 branch impairment writedown during 2003 and lower expenses associated with the real estate joint venture acquired in the Community transaction. The decrease in other expenses during the six months ended June 30, 2004, as compared to the same 2003 period, primarily resulted from the items noted in the preceding sentence, and from a \$750,000 write-down of an REO property during 2003.

**Table of Contents****BankAtlantic Bancorp, Inc.****RB Holdings, Inc. and Subsidiaries Results of Operations**

|                                    | For the Three Months Ended<br>June 30, |               |                 | For the Six Months Ended June 30, |                 |                 |
|------------------------------------|--|---------------|-----------------|-----------------------------------|-----------------|-----------------|
|                                    | 2004                                   | 2003          | Change          | 2004                              | 2003            | Change          |
| <b>(In thousands)</b>              |  |               |                 |                                   |                 |                 |
| <b>Net interest income:</b>        |  |               |                 |                                   |                 |                 |
| Interest on trading securities     | \$ 2,866                               | \$ 2,181      | \$ 685          | \$ 5,662                          | \$ 4,498        | \$ 1,164        |
| Interest expense                   | (274)                                  | (378)         | 104             | (484)                             | (741)           | 257             |
| <b>Net interest income</b>         | <b>2,592</b>                           | <b>1,803</b>  | <b>789</b>      | <b>5,178</b>                      | <b>3,757</b>    | <b>1,421</b>    |
| <b>Non-interest income:</b>        |  |               |                 |                                   |                 |                 |
| Principal transactions             | 21,654                                 | 24,057        | (2,403)         | 46,097                            | 49,141          | (3,044)         |
| Investment banking                 | 18,026                                 | 5,079         | 12,947          | 30,657                            | 12,768          | 17,889          |
| Commissions                        | 22,245                                 | 21,603        | 642             | 47,616                            | 40,955          | 6,661           |
| Other                              | 1,083                                  | 480           | 603             | 1,703                             | 1,320           | 383             |
| <b>Non-interest income</b>         | <b>63,008</b>                          | <b>51,219</b> | <b>11,789</b>   | <b>126,073</b>                    | <b>104,184</b>  | <b>21,889</b>   |
| <b>Non-interest expense:</b>       |  |               |                 |                                   |                 |                 |
| Employee compensation and benefits | 40,297                                 | 36,892        | 3,405           | 84,339                            | 74,815          | 9,524           |
| Occupancy and equipment            | 3,236                                  | 2,900         | 336             | 6,339                             | 5,990           | 349             |
| Advertising and promotion          | 1,421                                  | 945           | 476             | 2,582                             | 2,153           | 429             |
| Professional Fees                  | 1,330                                  | 2,332         | (1,002)         | 2,375                             | 4,054           | (1,679)         |
| Communications                     | 3,106                                  | 4,216         | (1,110)         | 6,359                             | 8,045           | (1,686)         |
| Floor broker and clearing fees     | 2,438                                  | 2,236         | 202             | 5,240                             | 4,394           | 846             |
| Other                              | 1,597                                  | 2,025         | (428)           | 3,280                             | 3,899           | (619)           |
| <b>Non-interest expense</b>        | <b>53,425</b>                          | <b>51,546</b> | <b>1,879</b>    | <b>110,514</b>                    | <b>103,350</b>  | <b>7,164</b>    |
| Income before income taxes         | 12,175                                 | 1,476         | 10,699          | 20,737                            | 4,591           | 16,146          |
| Income taxes                       | 5,161                                  | 551           | 4,610           | 8,595                             | 1,843           | 6,752           |
| <b>Income from continuing</b>      | <b>\$ 7,014</b>                        | <b>\$ 925</b> | <b>\$ 6,089</b> | <b>\$ 12,142</b>                  | <b>\$ 2,748</b> | <b>\$ 9,394</b> |

operations



**For the Three and Six Months Ended June 30, 2004 Compared to the Same 2003 Periods:**

Income from continuing operations increased significantly as a result of higher investment banking activity from Ryan Beck's Financial Institutions Group.

Net interest income increased 44% and 38%, respectively. This increase primarily resulted from interest earned by Ryan Beck on approximately \$255 million of customer margin debit balances and fees earned in connection with approximately \$1.1 billion in customer money market balances. Also contributing to the increase in net interest income was Ryan Beck's repayment of a subordinated loan from the Company in the third quarter of 2003, eliminating current interest expense on that loan.

Principal transaction revenue decreased 10% and 6%, respectively. The primary reason for the decrease was decreased Private Client Group customer activity as a result of current market conditions. Additionally, income from Ryan Beck's deferred compensation plan assets was down 35% and 59%, respectively, and related compensation expense associated with the plan was down by similar amounts.

Investment banking revenue increased 255% and 140%, respectively. Through the second quarter of 2004, Ryan Beck's Financial Institutions Group completed nine merger and acquisition transactions, versus five through June 30, 2003. Additionally, this group helped raise over \$1.2 billion in capital financing transactions through the second quarter of 2004, versus \$0.5 billion through June 30, 2003.

Commission revenue increased 3% and 16%, respectively. While the three month quarterly comparison was relatively flat, the increase in the six months ended June 30, 2004 was attributable mainly to the increase in Ryan Beck's sales transaction volume in the first quarter 2004.

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Employee compensation and benefits increased 9% and 13%, respectively. The increase is mainly attributable to the increase in bonus accruals resulting from the additional investment banking revenue.

Advertising and promotion expense increased 50% and 20%, respectively. The increase is mainly attributable to expenses associated with Ryan Beck's most recent advertising campaign designed to expand Ryan Beck's exposure through print and television media.

Professional fees decreased 43% and 41%, respectively. The decrease is primarily due to a reduction in the legal costs associated with litigation in which Ryan Beck has been involved as a result of having acquired certain assets and liabilities of Gruntal in 2002. During the first quarter of 2004, the bankruptcy court presiding over Gruntal's bankruptcy proceedings entered an order confirming a plan of liquidation for Gruntal that included a third party release in favor of Ryan Beck and the Company, and as a result Ryan Beck expects that many of the claims against it associated with the Gruntal transaction will be permanently stayed or dismissed by the arbitration panels and courts hearing such claims.

Communications cost decreased 26% and 21%, respectively. The decrease is primarily due to the elimination of duplicate services as the Gruntal operations were integrated into those of Ryan Beck.

**Parent Company Results of Operations**

|  | For the Three Months Ended<br>June 30, |                |            | For the Six Months Ended June<br>30, |                |               |
|--|--|----------------|------------|--------------------------------------|----------------|---------------|
|  | 2004                                   | 2003           | Change     | 2004                                 | 2003           | Change        |
| <b>Net interest income:</b>                                |  |                |            |                                      |                |               |
| Interest on loans and investments                          | \$ 548                                 | \$ 509         | \$ 39      | \$ 1,090                             | \$ 963         | \$ 127        |
| Subordinated Debentures and notes payable interest expense | (4,132)                                | (4,378)        | 246        | (8,267)                              | (8,105)        | (162)         |
| <b>Net interest income</b>                                 | <b>(3,584)</b>                         | <b>(3,869)</b> | <b>285</b> | <b>(7,177)</b>                       | <b>(7,142)</b> | <b>(35)</b>   |
| <b>Non-interest income:</b>                                |  |                |            |                                      |                |               |
| Income from unconsolidated subsidiaries                    | 118                                    | 118            |            | 236                                  | 200            | 36            |
| Gains on securities activities                             | 3                                      |                | 3          | 78                                   | 405            | (327)         |
| Litigation settlement                                      |  |                |            | 22,840                               |                | 22,840        |
| Other  | 120                                    |                | 120        | 224                                  |                | 224           |
| <b>Non-interest income</b>                                 | <b>241</b>                             | <b>118</b>     | <b>123</b> | <b>23,378</b>                        | <b>605</b>     | <b>22,773</b> |

**Non-interest expense:**

|  |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Investment banking expense               |                   | 175               | (175)             |                   | 635               | (635)             |
| Employee compensation and benefits       | 106               | 57                | 49                | 215               | 81                | 134               |
| Professional fees                        | 546               | 383               | 163               | 1,037             | 700               | 337               |
| Cost associated with debt redemption     |                   | 1,648             | (1,648)           |                   | 1,648             | (1,648)           |
| Other                                    | 328               | 253               | 75                | 578               | 368               | 210               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Non-interest expense                     | 980               | 2,516             | (1,536)           | 1,830             | 3,432             | (1,602)           |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| (Loss) income before income taxes        | (4,323)           | (6,267)           | 1,944             | 14,371            | (9,969)           | 24,340            |
| Income taxes                             | (1,574)           | (2,192)           | 618               | 5,030             | (3,487)           | 8,517             |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| (Loss) income from continuing operations | <u>\$ (2,749)</u> | <u>\$ (4,075)</u> | <u>\$ 1,326</u>   | <u>\$ 9,341</u>   | <u>\$ (6,482)</u> | <u>\$ 15,823</u>  |

**For the Three and Six Months Ended June 30, 2004 Compared to the Same 2003 Periods:**

Interest on loans and investments during the 2004 quarter and six month period represents interest income recognized by the Company on loans to Levitt and interest income earned on a BankAtlantic reverse repurchase account. Interest on loans and investments during the comparable 2003 periods is interest income recognized by the Company on loans to Levitt and Ryan Beck as well as interest income earned on the BankAtlantic reverse repurchase account.

Interest expense declined during the second quarter of 2004 as a result of lower average debenture and notes payable balances. Average balances declined from \$278 million during the 2003 second quarter to \$263 million during the same 2004 period. The increase in interest expense during the 2004 six month period, resulted from the issuance of \$77.3 million of junior subordinated debentures during March and April of 2003 in trust preferred securities offerings conducted by the Company. The proceeds of these 2003 offerings were used to repay \$46.0 million of convertible



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### **BankAtlantic Bancorp, Inc.**

debentures and pay down by \$16 million a bank line of credit. The junior subordinated debentures issued in these offerings had higher interest rates than the convertible debentures and the bank line of credit that their proceeds were used to pay.

Income from unconsolidated subsidiaries represents the equity earnings from trusts formed to issue trust preferred securities. The increase in earnings during the six months ended June 30, 2004, was primarily due to earnings from three new trusts established in March and April 2003.

The income from securities activities during the six months ended June 30, 2004 represents gains from mutual fund sales. The Company sold mutual funds to rebalance its investment portfolio to benchmark allocation percentages. The income from securities activities during the six months ended June 30, 2003 represented a gain realized from a liquidating dividend on an equity security.

The litigation settlement reflects proceeds from the settlement of litigation related to the Company's prior investment of \$15 million in a technology company. Pursuant to that settlement, the Company sold its stock in the technology company to a third party investor group for \$15 million in cash, the Company's original cost, and the Company received consideration from the technology company for legal expenses and damages, which consisted of \$1.7 million in cash and 378,160 shares of the Company's Class A Common Stock returned by the technology company to the Company.

The Company's investment banking expense during the three and six months ended June 30, 2003 resulted from fees paid by it to Ryan Beck in connection with Ryan Beck's underwriting of the Company's 2003 offerings of trust preferred securities. These fees are included in Ryan Beck's investment banking income in Ryan Beck's business segment results of operations but were eliminated in the Company's consolidated financial statements.

The Company incurred compensation expense as a result of the transfer of investor relations and risk management staff to the Company, who were formerly employed by BankAtlantic as of January 1, 2004. This expense was partially offset by fees received by the Company for investor relations and risk management services provided by the Company to Levitt and BFC Financial Corporation, which are included in other income during 2004. Compensation expense during the 2003 periods primarily resulted from the issuance of Class A restricted stock to BankAtlantic employees and the amortization of a forgivable loan related to executive recruiting.

Costs associated with debt redemption during the three and six months ended June 30, 2003 resulted from the Company redeeming its 5.625% convertible debentures at a redemption price of 102% of the principal amount. The loss on the redemption reflects a \$732,000 write-off of deferred offering costs and a \$917,000 call premium.

The increased professional fees for the three and six months ended June 30, 2004 primarily consisted of fees incurred in connection with the technology company litigation settled in 2004, regulatory compliance, and risk management consulting services provided to the Company by Bluegreen Corporation.

### **Financial Condition**

Our total assets at June 30, 2004 were \$5.4 billion, compared to \$4.8 billion at December 31, 2003. The increase in total assets primarily resulted from:

Higher loan balances related to the purchase of residential and commercial loans as well as the origination of home equity loans;

Increases in securities available for sale balances associated with the purchase of mortgage-backed securities and municipal securities;

Additions to property and equipment for the construction of BankAtlantic's new corporate headquarters;

A receivable from Ryan Beck's clearing agent associated with Ryan Beck's trading activities;

Higher real estate inventory related to increased construction activity by a real estate joint venture acquired in connection with the Community acquisition; and

Higher FHLB stock investment due to increased FHLB advance borrowings.

The Company's total liabilities at June 30, 2004 were \$5.0 billion, compared to \$4.4 billion at December 31, 2003.

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### **BankAtlantic Bancorp, Inc.**

The increase in total liabilities primarily resulted from:

Higher low cost deposit balances and insured money fund savings account balances;

Increases in short-term borrowings and FHLB advances during the second quarter to fund loan and securities available for sale growth;

Additional securities sold but not yet purchased, associated with Ryan Beck trading activities; and

Increases in other liabilities associated with the purchases of securities available for sale awaiting settlement.

Stockholders' equity at June 30, 2004 was \$440.3 million compared to \$413.5 million at December 31, 2003. The increase was primarily attributable to earnings of \$38.8 million and \$7.2 million of proceeds and tax benefits from the issuance of common stock upon the exercise of stock options. The above increases in stockholders' equity were partially offset by the payment of \$3.9 million of common stock dividends, a \$6.1 million reduction in additional paid in capital resulting from the retirement of 378,160 shares of the Company's Class A Common Stock received as part of the private technology company litigation settlement, \$6.6 million of unrealized losses on securities available for sale, net of income tax benefits and \$2.6 million reduction in additional paid in capital related to the acceptance of Class A common stock as consideration for the payment of withholding taxes and the exercise price which were due upon the exercise of Class A stock options.

### **Liquidity and Capital Resources**

#### **BankAtlantic Bancorp, Inc. Liquidity and Capital Resources**

The Company's principal source of liquidity is dividends from BankAtlantic and, to a lesser extent, Ryan Beck. The Company also obtains funds through the issuance of equity and debt securities, borrowings from financial institutions, liquidation of equity securities and other investments it holds, management fees from subsidiaries and affiliates and principal and interest payments from loans to Levitt Corporation. The Company also received \$16.8 million in the first quarter of 2004 as part of the private technology company litigation settlement. The Company uses these funds to purchase debt and equity investments, provide capital to its subsidiaries, pay dividends to its shareholders and to fund operations. The Company's annual debt service associated with its junior subordinated debentures and other borrowings is approximately \$15.6 million. The Company's estimated current annual dividends to common shareholders are approximately \$7.8 million. During 2003, and during the first six months of 2004, the Company received \$20.0 million and \$5 million, respectively, of dividends from BankAtlantic. The declaration and payment of dividends and the ability of the Company to meet its debt service obligations will depend upon the results of operations, financial condition and cash requirements of the Company, indenture restrictions and loan covenants, and the ability of BankAtlantic to pay dividends to the Company. BankAtlantic's dividends are subject to regulations and OTS approval and are based upon BankAtlantic's regulatory capital levels and net income. In addition, Ryan Beck paid \$5 million in dividends to the Company during the first quarter of 2004. Future dividend payments by Ryan Beck will depend upon the results of operations, financial condition and capital requirements of Ryan Beck.

During the second quarter of 2004, the Company transferred \$18 million of exchange traded mutual funds and placed an additional \$35 million of funds with a third party money manager subject to certain liquidity and concentration restrictions. It is anticipated that these funds will be invested in this manner until capital is needed to fund the operations of the Company and its subsidiaries, including acquisitions, BankAtlantic's branch expansion and renovation strategy, or for other business purposes. Additionally, during the second quarter of 2004, the Company invested \$5 million in a hedge fund limited partnership which primarily invests in financial services companies.

The Company maintains a revolving credit facility of \$30 million with an independent financial institution. The credit facility contains customary covenants, including financial covenants relating to regulatory capital and maintenance of certain loan loss reserves, and is secured by the common stock of BankAtlantic. The Company has used this credit facility to temporarily fund acquisitions and asset purchases as well as for general corporate purposes. The credit facility had an outstanding balance of \$100,000 at June 30, 2004, and the Company was in compliance with all loan covenants. Amounts outstanding accrue interest at the prime rate minus 50 basis points, and the facility matures on March 1, 2005.

### **BankAtlantic Liquidity and Capital Resources**

BankAtlantic's liquidity depends 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 sales also provide an internal source of liquidity.

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**BankAtlantic Bancorp, Inc.**

BankAtlantic's primary sources of funds are deposits; principal repayments of loans and tax certificates and securities available for sale; proceeds from the sale of loans and securities; proceeds from securities sold under agreements to repurchase; advances from the FHLB; and from operations. These funds were utilized to fund loan disbursements and purchases; cover deposit outflows; repay securities sold under agreements to repurchase; repay advances from the FHLB; purchase tax certificates; pay maturing certificates of deposit; pay operating expenses, including increased costs associated with regulatory compliance; and pay dividends to the Company. BankAtlantic has a \$1.5 billion line of credit with the FHLB, subject to available collateral, with a maximum term of ten years. BankAtlantic has utilized its FHLB line of credit to borrow \$883.7 million. The FHLB also issued a \$63 million letter of credit to secure public deposits under this arrangement at June 30, 2004. The line of credit is secured by a blanket lien on BankAtlantic's residential mortgage loans and certain commercial real estate loans. BankAtlantic's available borrowings under this line of credit were approximately \$687.2 million at June 30, 2004. BankAtlantic has also established lines of credit for up to \$205 million with other banks to purchase federal funds. BankAtlantic has various relationships to acquire brokered deposits. These relationships may be utilized as an alternative source of borrowings, if needed.

BankAtlantic's commitments to originate and purchase loans at June 30, 2004 were \$434.0 million and \$89.9 million, respectively, compared to \$329.8 million and \$29.0 million, respectively, at June 30, 2003. Additionally, BankAtlantic had commitments to purchase securities of \$7.1 million and \$17.7 million, respectively, at June 30, 2004 and 2003. At June 30, 2004, loan commitments represented approximately 13.4% of loans receivable, net.

As of June 30, 2004, BankAtlantic had approximately \$384.4 million in investments and mortgage-backed securities pledged against securities sold under agreements to repurchase.

During 2002, BankAtlantic paid \$14.3 million to purchase a building to consolidate its headquarters and back office operations into a centralized facility. BankAtlantic has incurred approximately \$10.0 million in renovation costs on this building. The total estimated cost to complete renovation is approximately \$18.1 million, and the facility is expected to be completed in November 2004. The costs to complete renovation will be funded by cash flow from operations.

In July 2004, BankAtlantic announced its new branch de novo expansion strategy under which it will open between eight to ten branches in 2005. The total estimated cost to construct these branches is approximately \$18 million. BankAtlantic estimates that each new branch will have first year losses of \$225,000 on average, and will begin to contribute to earnings in 12 to 15 months following its opening. The first branch is anticipated to open during the first quarter of 2005. BankAtlantic expects to place these new branches within its current geographic market. If the strategy is successful, BankAtlantic anticipates expanding the concept to other markets.

In June 2004, BankAtlantic's management finalized a plan to renovate the interior of all existing 73 BankAtlantic branches. The renovation of these branches is projected to be completed in December 2005, with an estimated cost of \$13 million.

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

At June 30, 2004, BankAtlantic met all applicable liquidity and regulatory capital requirements. BankAtlantic's capital amounts and ratios were (dollars in thousands):

| (in thousands)               | Actual    |        | Minimum Ratios               |                        |
|------------------------------|-----------|--------|------------------------------|------------------------|
|                              | Amount    | Ratio  | Adequately Capitalized Ratio | Well Capitalized Ratio |
| <b>At June 30, 2004:</b>     |           |        |                              |                        |
| Total risk-based capital     | \$463,021 | 11.55% | 8.00%                        | 10.00%                 |
| Tier 1 risk-based capital    | \$390,979 | 9.76%  | 4.00%                        | 6.00%                  |
| Tangible capital             | \$390,979 | 7.77%  | 1.50%                        | 1.50%                  |
| Core capital                 | \$390,979 | 7.77%  | 4.00%                        | 5.00%                  |
| <b>At December 31, 2003:</b> |           |        |                              |                        |
| Total risk-based capital     | \$447,967 | 12.06% | 8.00%                        | 10.00%                 |
| Tier 1 risk-based capital    | \$379,505 | 10.22% | 4.00%                        | 6.00%                  |
| Tangible capital             | \$379,505 | 8.52%  | 1.50%                        | 1.50%                  |
| Core capital                 | \$379,505 | 8.52%  | 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 our Annual Report on Form 10-K for the year ended December 31, 2003.

**Ryan Beck & Co., Inc. Liquidity and Capital Resources**

Ryan Beck's primary source of funds during the six months ended June 30, 2004 were clearing broker borrowings, proceeds from the sale of securities owned, proceeds from securities sold but not yet purchased, and fees from customers. These funds were primarily utilized to pay operating expenses, pay dividends to the Company, fund the purchase of securities owned and fund capital expenditures.

In the ordinary course of business, Ryan Beck borrows under an agreement with its clearing broker by pledging securities owned as collateral primarily to finance its trading inventories. The amount and terms of the borrowings are subject to the lending policies of the clearing broker and can be changed at the clearing broker's discretion. Additionally, the amount financed is also impacted by the market value of the securities owned which are pledged as collateral.

Ryan Beck is subject to the net capital provision of Rule 15c3-1 under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1. Additionally, Ryan Beck, as a market maker, is subject to supplemental requirements of Rule 15c3-1(a) 4, which provides for the computation of net capital to be based on the number of and price of issues in which markets are made by Ryan Beck, not to exceed \$1.0 million. Ryan Beck's regulatory net capital was \$35.4 million, which was \$34.4 million in excess of its required net capital of \$1.0 million.

Ryan Beck operates under the provisions of paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission as a fully disclosed introducing broker and, accordingly, customer accounts are carried on the books of the clearing broker. However, Ryan Beck safekeeps and redeems municipal bond coupons for the benefit of its customers. Accordingly, Ryan Beck is subject to the provisions of SEC Rule 15c3-3 relating to possession or control and customer reserve requirements and was in compliance with such provisions at June 30, 2004.

Table of Contents**BankAtlantic Bancorp, Inc.****Item 3. Quantitative and Qualitative Disclosures about Market Risk**

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

**Interest Rate Risk**

The majority of our assets and liabilities are monetary in nature, subjecting us to significant interest rate risk which would arise if the relative values of each of our assets and liabilities changed in conjunction with a general rise or decline in interest rates. We have developed a model using standard industry software to quantify our interest rate risk. A sensitivity analysis was performed measuring our potential gains and losses in net portfolio fair values of interest rate sensitive instruments at June 30, 2004 resulting from a change in interest rates. See Item 7A Quantitative and Qualitative Disclosures about Market Risk of the Company's Annual Report on Form 10-K for the year ended December 31, 2003 for a detailed explanation of the model methodology and the assumptions we utilize.

Presented below is an analysis of the Company's interest rate risk at June 30, 2004 and December 31, 2003, calculated utilizing the Company's model. The table measures changes in net portfolio value for instantaneous and parallel shifts in the yield curve in 100 basis point increments up or down.

| <b>As of June 30, 2004</b>     |   |                          |
|--------------------------------|---|--------------------------|
| <b>Changes<br/>in Rate</b>     | <b>Net Portfolio<br/>Value<br/>Amount</b> | <b>Dollar<br/>Change</b> |
| <b>(dollars in thousands)</b>  |   |                          |
| +200 bp                        | \$479,516                                 | \$(34,374)               |
| +100 bp                        | \$509,978                                 | \$ (3,912)               |
| 0                              | \$513,890                                 | \$                       |
| -100 bp                        | \$490,297                                 | \$(23,593)               |
| -200 bp                        | \$485,883                                 | \$(28,007)               |
| <b>As of December 31, 2003</b> |   |                          |
| <b>Changes<br/>in Rate</b>     | <b>Net Portfolio<br/>Value<br/>Amount</b> | <b>Dollar<br/>Change</b> |
| <b>(dollars in thousands)</b>  |   |                          |
| +200 bp                        | \$470,869                                 | \$ 17,666                |
| +100 bp                        | \$482,543                                 | \$ 29,340                |
| 0                              | \$453,203                                 | \$                       |
| -100 bp                        | \$408,921                                 | \$(44,282)               |
| -200 bp                        | \$391,156                                 | \$(62,047)               |



Our net interest margin has improved since the third quarter of 2003. The improvement primarily resulted from the repayment of high fixed rate FHLB advances during each of the three preceding quarters as well as a significant increase in low cost deposits. Our asset and liability committee monitors BankAtlantic's interest rate risk. Based on the committee's on-going review, we determined that the repayment of a portion of BankAtlantic's high fixed rate FHLB advances should have a positive impact on BankAtlantic's net interest margin. During September 2003, December 2003, and March 2004, BankAtlantic prepaid \$185 million, \$140 million and \$108 million, respectively, of FHLB advances and recognized losses of \$2.0 million, \$8.9 million and \$11.7 million, respectively. BankAtlantic will continue to evaluate its high fixed rate FHLB advances in light of market interest rate conditions to determine whether additional prepayments

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could reduce borrowing costs and improve its net interest margin. We expect BankAtlantic's net interest margin for the 2004 year to be greater than in 2003 as a result of advance repayments and growth in low cost deposits.

**Equity Price Risk*****BankAtlantic Bancorp***

BankAtlantic Bancorp maintains a portfolio of equity securities and exchange traded mutual funds that subject it to equity pricing risks arising in connection with changes in the relative values of its equity investments due to changing market and economic conditions. The following are hypothetical changes in the fair value of our available for sale securities at June 30, 2004, based on hypothetical percentage changes in fair value. Actual future price appreciation or depreciation may be different from the changes identified in the table below (dollars in thousands).

| Percent<br>Change<br>in<br>Fair<br>Value | Available for Sale   |                 |                  |
|--|----------------------|-----------------|------------------|
|  | Equity<br>Securities | Mutual<br>Funds | Dollar<br>Change |
| 20%                                      | \$2,017              | \$21,947        | \$ 3,994         |
| 10%                                      | \$1,849              | \$20,118        | \$ 1,997         |
| 0%                                       | \$1,681              | \$18,289        | \$               |
| -10%                                     | \$1,513              | \$16,460        | \$(1,997)        |
| -20%                                     | \$1,345              | \$14,631        | \$(3,994)        |

Excluded from the above table is \$1.8 million of investments in private companies and \$5.0 million invested in a limited partnership hedge fund specializing in bank equities, for which no current liquid market exists. The ability to realize on or liquidate these investments will depend on future market conditions and is subject to significant risk.

***Ryan Beck***

Ryan Beck is exposed to the market risk that the financial instruments in which it trades and makes a market will fluctuate in value. These value fluctuations can be caused by changes in interest rates, equity prices, credit spreads or other market forces. The Company, through Ryan Beck, is therefore indirectly exposed to these market risks arising from Ryan Beck's trading and market making activities.

Ryan Beck's management monitors risk in its trading activities by establishing limits and reviewing daily trading results, inventory aging, pricing, concentration and securities ratings. Ryan Beck uses a variety of tools, including aggregate and statistical methods. Value at Risk ( VaR ) is the principal statistical method used by Ryan Beck to monitor its risk, and this method measures the potential loss in the fair value of a portfolio due to adverse movements in underlying risk factors.

Ryan Beck uses an historical simulation approach to measuring VaR using a 99% confidence level, a one day holding period and the most recent three months average volatility. The 99% VaR means that, on average, one would not expect to exceed such loss amount more than one time every one hundred trading days if the portfolio were held

constant for a one-day period. The aggregate long and short value represents the one day market value of securities owned (long) and securities sold but not yet purchased (short) during the six months ended June 30, 2004.

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The following table sets forth the high, low and average VaR for Ryan Beck during the period January 1, 2004 to June 30, 2004.

|                              | <b>(dollars in thousands)</b> |            |                |
|------------------------------|-------------------------------|------------|----------------|
|                              | <b>High</b>                   | <b>Low</b> | <b>Average</b> |
| <b>VaR</b>                   | \$ 664                        | \$ 105     | \$ 317         |
| <b>Aggregate Long Value</b>  | 112,494                       | 47,096     | 74,107         |
| <b>Aggregate Short Value</b> | 116,852                       | 23,851     | 63,331         |

The following table sets forth the high, low and average VaR for Ryan Beck during the period January 31, 2003 to December 31, 2003, and adjusted for discontinued operations.

|                       | <b>(dollars in thousands)</b> |            |                |
|-----------------------|-------------------------------|------------|----------------|
|                       | <b>High</b>                   | <b>Low</b> | <b>Average</b> |
| VaR                   | \$ 1,285                      | \$ 16      | \$ 531         |
| Aggregate Long Value  | 68,995                        | 42,364     | 66,809         |
| Aggregate Short Value | 19,570                        | 60,602     | 36,495         |

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**BankAtlantic Bancorp, Inc.**

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports.

*Changes in Internal Controls*

In addition, we reviewed our internal control over financial reporting, and there have been no significant changes in our internal control over financial reporting or in other factors that could significantly affect those controls during the last fiscal quarter.

*Limitations on the Effectiveness of Controls*

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all improper conduct. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of improper conduct, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

Further, the design of any system of controls also is based in part upon assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*CEO and CFO Certifications*

Appearing as Exhibits 31.1 and 31.2 to this quarterly report are Certifications of the principal executive officer and the principal financial officer. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This Item of this report, which you are currently reading, is the information concerning the evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

**Table of Contents****BankAtlantic Bancorp, Inc.****PART II OTHER INFORMATION****Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

(e) Purchases of equity securities by the issuer and affiliated purchasers

| <b>Period</b>                        | <b>Total Number of<br/>Shares Purchased</b> | <b>Average<br/>price<br/>per share</b> | <b>Total<br/>Number of<br/>Shares<br/>Purchased as<br/>Part of<br/>Publicly<br/>Announced<br/>Plans<br/>or Programs<br/>(2)</b> | <b>Maximum<br/>Number that<br/>May Yet Be<br/>Purchased<br/>Under the<br/>Plans or<br/>Programs</b> |
|--------------------------------------|---|--|---|---|
| April 1, 2004 through April 30, 2004 |   | \$                                     |   |   |
| May 1, 2004 through May 31, 2004     | 175,710 (1)                                 | 15.01                                  |   |   |
| June 1, 2004 through June 30, 2004   |   |  |   |   |
| <b>Total</b>                         | <b>175,710</b>                              | <b>\$15.01</b>                         |   |   |

(1) The amount represents the number of shares of the Company's Class A Common Stock redeemed by the Company as consideration for the payment of withholding taxes and for the exercise price of nonqualifying stock options exercised during the period.

(2) The Company currently has no plan or program to repurchase its equity securities.

**Item 4. Submission of Matters to a Vote of Security Holders**

The Company held its Annual Meeting of Shareholders on May 11, 2004. At the meeting the holders of the Company's Class A and Class B Common Stock voting together as a single class elected the following four Directors to a three year term by the following votes:

|                 |            |                 |
|-----------------|------------|-----------------|
| <b>Director</b> | <b>For</b> | <b>Withheld</b> |
|-----------------|------------|-----------------|

|                    |            |           |
|--------------------|------------|-----------|
| Steven M. Coldren  | 95,659,475 | 1,802,602 |
| Mary E. Ginestra   | 95,622,553 | 1,839,524 |
| Willis N. Holcombe | 96,819,102 | 642,975   |
| Jarret S. Levan    | 95,324,860 | 2,137,217 |

Also at the annual meeting, the holders of the Company's Class A and Class B Common Stock voting together as a single class approved the adoption of the Company's 2004 Restricted Stock Incentive Plan by the following votes:

|                                 | <b>Votes<br/>For</b> | <b>Votes<br/>Against</b> | <b>Votes<br/>Abstaining</b> |
|---------------------------------|----------------------|--------------------------|-----------------------------|
| Restricted stock incentive plan | 84,153,247           | 3,567,646                | 86,002                      |

**Item 6. Exhibits and Reports on Form 8-K**

**(a) Exhibits**

|              |  |
|--------------|--|
| Exhibit 10.1 | BankAtlantic Bancorp, Inc. 2004 Restricted Stock Incentive Plan (Incorporated by reference to Appendix A of the Company's definitive Proxy Statement filed with the Securities and Exchange Commission on April 12, 2004.) |
| Exhibit 31.1 | CFO Certification pursuant to Regulation S-X Section 302   |
| Exhibit 31.2 | CEO Certification pursuant to Regulation S-X Section 302   |

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**BankAtlantic Bancorp, Inc.**

|              |  |
|--------------|--|
| Exhibit 32.1 | CEO Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| Exhibit 32.2 | CFO Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |



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**BankAtlantic Bancorp, Inc.**

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BANKATLANTIC BANCORP, INC.**

August 9, 2004

\_\_\_\_\_

Date

By: /s/ Alan B. Levan

Alan B. Levan

Chief Executive Officer/

Chairman/President

August 9, 2004

\_\_\_\_\_

Date

By: /s/ James A. White

James A. White

Executive Vice President,

Chief Financial Officer