

BANKATLANTIC BANCORP INC

Form 10-Q

May 10, 2006

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

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

For the quarterly period ended March 31, 2006

OR

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

For the transition period from _____ to _____

Commission file number 34-027228

BankAtlantic Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

65-0507804

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

2100 West Cypress Creek Road

Fort Lauderdale, Florida

(Address of principal executive offices)

33309

(Zip Code)

(954) 940-5000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

Title of Each Class	Outstanding at May 3, 2006
Class A Common Stock, par value \$0.01 per share	56,588,191
Class B Common Stock, par value \$0.01 per share	4,876,124

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

	March 31,	December	March 31,
	2006	31,	2005
		2005	2005
(In thousands, except share data)			
ASSETS			
Cash and due from depository institutions	\$ 161,005	\$ 167,032	\$ 119,915
Federal funds sold and other short-term investments	18,463	3,229	16,832
Securities owned (at fair value)	169,570	180,292	142,294
Securities available for sale (at fair value)	670,683	674,544	762,573
Investment securities and tax certificates (approximate fair value: \$340,114, \$364,122 and \$298,950)	342,251	364,444	302,498
Federal Home Loan Bank stock, at cost which approximates fair value	60,800	69,931	80,600
Loans receivable, net of allowance for loan losses of \$41,889, \$41,192 and \$43,042	4,524,743	4,624,772	4,801,412
Accrued interest receivable	42,251	41,490	38,864
Real estate held for development and sale	22,347	21,177	24,799
Investments in unconsolidated subsidiaries	11,996	12,464	7,910
Office properties and equipment, net	170,686	154,120	132,438
Deferred tax asset, net	31,376	29,615	22,971
Goodwill	76,674	76,674	76,674
Core deposit intangible asset	7,995	8,395	9,597
Due from clearing agent	2,672		1,120
Other assets	44,090	43,232	42,034
 Total assets	 \$ 6,357,602	 \$ 6,471,411	 \$ 6,582,531
 LIABILITIES AND STOCKHOLDERS EQUITY			
Liabilities:			
Deposits			
Demand	\$ 1,152,361	\$ 1,019,949	\$ 960,063
NOW	790,225	755,708	676,945
Savings	351,839	313,889	296,485
Money market	806,871	846,441	913,434
Certificates of deposits	859,470	816,689	796,928
 Total deposits	 3,960,766	 3,752,676	 3,643,855
 Advances from FHLB	 1,085,914	 1,283,532	 1,524,881
Securities sold under agreements to repurchase	94,434	116,026	217,463
Federal funds purchased and other short term borrowings	81,197	139,475	75,000
Secured borrowings	111,754	138,270	164,180
Subordinated debentures, notes and bonds payable	41,832	39,092	35,878
Junior subordinated debentures	263,266	263,266	263,266
Securities sold but not yet purchased	41,828	35,177	60,276

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Due to clearing agent	32,206	24,486	
Other liabilities	122,635	163,075	116,751
Total liabilities	5,835,832	5,955,075	6,101,550
Commitments and contingencies			
Stockholders equity:			
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued and outstanding			
Class A common stock, \$.01 par value, authorized 80,000,000 shares; issued and outstanding 56,417,568, 55,884,089 and 55,665,968 shares	564	559	556
Class B common stock, \$.01 par value, authorized 45,000,000 shares; issued and outstanding 4,876,124, 4,876,124, and 4,876,124 shares	49	49	49
Additional paid-in capital	262,626	261,720	260,207
Unearned compensation restricted stock grants		(936)	(957)
Retained earnings	265,657	261,279	228,714
Total stockholders equity before accumulated other comprehensive loss	528,896	522,671	488,569
Accumulated other comprehensive loss	(7,126)	(6,335)	(7,588)
Total stockholders equity	521,770	516,336	480,981
Total liabilities and stockholders equity	\$ 6,357,602	\$ 6,471,411	\$ 6,582,531

See Notes to Consolidated Financial Statements Unaudited

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

	For the Three Months Ended March 31,	
	2006	2005
(In thousands, except share and per share data)		
Interest income:		
Interest and fees on loans	\$ 75,386	\$ 68,517
Interest and dividends on securities available for sale	4,305	5,295
Interest on tax exempt securities	3,806	3,225
Interest and dividends on other investment securities	4,376	4,364
Broker dealer interest and dividends	4,238	2,947
 Total interest income	 92,111	 84,348
Interest expense:		
Interest on deposits	12,754	8,295
Interest on advances from FHLB	14,139	13,674
Interest on securities sold under agreements to repurchase and federal funds purchased	2,575	2,099
Interest on secured borrowings	2,401	2,162
Interest on subordinated debentures, notes and bonds payable, and junior subordinated debentures	7,584	5,672
Capitalized interest on real estate development	(480)	(452)
 Total interest expense	 38,973	 31,450
 Net interest income	 53,138	 52,898
Provision for (recovery from) loan losses	163	(3,916)
 Net interest income after provision for (recovery from) loan losses	 52,975	 56,814
Non-interest income:		
Broker/dealer revenue	54,562	54,686
Service charges on deposits	19,099	12,989
Other service charges and fees	6,222	5,238
(Loss) income from real estate operations	(1,096)	2,241
Income from unconsolidated subsidiaries	820	131
Securities activities, net	2,541	102
Gains associated with debt redemption	436	
Other	2,338	3,283
 Total non-interest income	 84,922	 78,670
Non-interest expense:		
Employee compensation and benefits (including share-based compensation of \$1,069 and \$44)	80,200	65,795
Occupancy and equipment	16,247	13,237

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Advertising and promotion	9,957	6,298
Professional fees	4,250	4,081
Communications	3,954	3,205
Floor broker and clearing fees	2,719	2,368
Cost associated with debt redemption	423	
Other	11,918	9,801
Total non-interest expense	129,668	104,785
Income before income taxes	8,229	30,699
Provision for income taxes	1,517	10,821
Net income	\$ 6,712	\$ 19,878

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See Notes to Consolidated Financial Statements Unaudited

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

	For the Three Months Ended March 31,	
	2006	2005
Earnings per share		
Basic earnings per share	\$ 0.11	\$ 0.33
Diluted earnings per share	\$ 0.11	\$ 0.31
Cash dividends per Class A share	\$ 0.038	\$ 0.035
Cash dividends per Class B share	\$ 0.038	\$ 0.035
Basic weighted average number of common shares outstanding	61,005,408	60,071,605
Diluted weighted average number of common and common equivalent shares outstanding	62,761,078	63,206,870

See Notes to Consolidated Financial Statements Unaudited

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BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME
For of the Three Months Ended March 31, 2005 and 2006 UNAUDITED

(In thousands)	Compre- hensive Income	Common Stock	Addi- tional Paid-in Capital	Retained Earnings	Unearned Compen- sation Restricted Stock Grants	Accumul- ated Other Compre- hensive loss	Total
BALANCE, DECEMBER 31, 2004		\$ 601	\$ 259,702	\$ 210,955	\$ (1,001)	\$ (992)	\$ 469,265
Net income	\$ 19,878			19,878			19,878
Other comprehensive income, net of tax:							
Unrealized losses on securities available for sale (less income tax benefit of \$3,686)	(6,531)						
Reclassification adjustment for net gain included in net income (less income tax benefit of \$37)	(65)						
Other comprehensive loss	(6,596)						
Comprehensive income	\$ 13,282						
Dividends on Class A common stock				(1,948)			(1,948)
Dividends on Class B common stock				(171)			(171)
Issuance of Class A common stock upon exercise of stock options		7	1,544				1,551
Tax effect relating to share-based compensation			3,953				3,953
Retirement of Class A common stock relating to exercise of stock options		(3)	(4,645)				(4,648)
					44		44

Share-based compensation expense							
Retirement of Ryan Beck common stock			(347)				(347)
Net change in accumulated other comprehensive income, net of income taxes						(6,596)	(6,596)
BALANCE, MARCH 31, 2005		\$ 605	\$ 260,207	\$ 228,714	\$ (957)	\$ (7,588)	\$ 480,981
BALANCE, DECEMBER 31, 2005		\$ 608	\$ 261,720	\$ 261,279	\$ (936)	\$ (6,335)	\$ 516,336
Net income	\$ 6,712			6,712			6,712
Other comprehensive (loss), net of tax:							
Unrealized gains on securities available for sale (less income tax expense of \$373)	770						
Reclassification adjustment for net gain included in net income (less income tax expense of \$980)	(1,561)						
Other comprehensive loss	(791)						
Comprehensive income	\$ 5,921						
Dividends on Class A common stock				(2,149)			(2,149)
Dividends on Class B common stock				(185)			(185)
Issuance of Class A common stock upon exercise of stock options		11	4,801				4,812
Tax effect relating to share-based compensation			2,980				2,980
Retirement of Class A common stock relating to exercise of		(5)	(7,009)				(7,014)

stock options							
Share based							
compensation expense		1,069					1,069
Adoption of FAS							
123R	(1)	(935)		936			
Net change in							
accumulated other							
comprehensive loss,						(791)	(791)
net of income taxes							
BALANCE, MARCH							
31, 2006	\$ 613	\$ 262,626	\$ 265,657	\$	\$ (7,126)	\$ 521,770	

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

	For the Three Months Ended March 31,	
	2006	2005
(In thousands)		
Operating activities:		
Net income	\$ 6,712	\$ 19,878
Adjustment to reconcile net income to net cash used in operating activities:		
Provision (recovery) for credit losses, net (1)	238	(4,016)
Depreciation, amortization and accretion, net	4,990	4,421
Amortization of deferred revenue	3,027	1,510
Amortization of intangible assets	400	425
Share-based compensation expense related to stock options and restricted stock	1,069	
Excess tax benefits from share-based compensation	(2,980)	
Securities activities, net	(2,541)	(102)
Net gains on sale of real estate owned	(381)	(137)
Net gains on sales of loans held for sale	(94)	(110)
Losses on sales of property and equipment	28	
Gain on sale of branch		(935)
Distribution of earnings of unconsolidated subsidiaries	820	131
(Increase) decrease in deferred tax asset, net	(1,153)	983
Equity earnings of unconsolidated subsidiaries	(820)	(131)
Net gains associated with debt redemptions	(13)	
Originations and repayments of loans held for sale, net	(19,627)	(28,185)
Proceeds from sales of loans held for sale	15,450	29,412
(Increase) decrease in real estate inventory	(768)	2,893
Decrease (increase) in securities owned, net	10,722	(16,851)
Increase in securities sold but not yet purchased	6,651	20,814
Increase in accrued interest receivable	(761)	(2,882)
Increase in other assets	(2,195)	(10,914)
Increase in due to clearing agent	5,048	15,499
Decrease in other liabilities	(40,487)	(40,209)
Net cash used in operating activities	(16,665)	(8,506)

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

(In thousands)	For the Three Months Ended March 31,	
	2006	2005
Investing activities:		
Proceeds from redemption and maturities of investment securities and tax certificates	42,104	55,989
Purchase of investment securities and tax certificates	(20,054)	(35,446)
Purchase of securities available for sale	(23,983)	(97,669)
Proceeds from sales and maturities of securities available for sale	29,001	72,404
Purchases of FHLB stock	(2,250)	(10,381)
Redemption of FHLB stock	11,381	8,400
Investments in unconsolidated subsidiaries	(4,081)	
Distributions from unconsolidated subsidiaries	4,549	
Net repayments (purchases and originations) of loans	103,432	(20,504)
Proceeds from sales of real estate owned	965	500
Proceeds from the sale of property and equipment	8	
Additions to office property and equipment	(20,517)	(6,823)
Cash outflows from the sale of branch		(13,592)
Net cash provided by (used in) investing activities	120,555	(47,122)
Financing activities:		
Net increase in deposits	208,090	204,369
Repayments of FHLB advances	(477,570)	(259,583)
Proceeds from FHLB advances	280,000	240,000
Decrease in securities sold under agreements to repurchase	(58,279)	(79,180)
Decrease in federal funds purchased	(21,591)	(30,000)
Proceeds from secured borrowings		16,101
Repayments of secured borrowings	(26,516)	(26,822)
Repayment of notes and bonds payable	(2,260)	(1,863)
Proceeds from notes payable	5,000	
Excess tax benefits from share-based compensation	2,980	
Proceeds from issuance of Class A common stock	473	422
Payment of the minimum withholding tax upon the exercise of stock options	(2,675)	(3,519)
Purchase of subsidiary common stock		(491)
Common stock dividends	(2,334)	(2,119)
Net cash (used in) provided by financing activities	(94,682)	57,315
Increase in cash and cash equivalents	9,208	1,687
Cash and cash equivalents at the beginning of period	170,260	135,060
Cash and cash equivalents at end of period	\$ 179,468	\$ 136,747

(continued)

See Notes to Consolidated Financial Statements Unaudited

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

(In thousands)	For the Three Months Ended March 31,	
Cash paid for	2006	2005
Interest on borrowings and deposits	\$39,801	\$28,760
Income taxes	19,874	334
Supplementary disclosure of non-cash investing and financing activities:		
Loans transferred to REO	1,264	1,109
Net loan recoveries	534	948
Tax certificate net recoveries	168	255
Decreases in current income taxes payable from the tax effect of fair value of employee stock options		3,953
Change in accumulated other comprehensive income	(791)	(6,596)
Change in deferred taxes on other comprehensive income	608	3,686
Securities purchased pending settlement		15,873
Issuance and retirement of Class A common stock accepted as consideration for the exercise price of stock options	4,334	1,129
 (1) Provision for credit losses represents provision for (recovery from) loan losses, REO and tax certificates.		

See Notes to Consolidated Financial Statements Unaudited

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

BankAtlantic Bancorp, Inc. (the Company) is a Florida-based financial services holding company that offers a wide range of banking and investment products and services through its subsidiaries. The Company's principal assets include the capital stock of its wholly-owned subsidiaries: BankAtlantic, its banking subsidiary; and Ryan Beck Holdings, Inc., a holding company that wholly owns Ryan Beck & Co., Inc. (Ryan Beck), an investment banking firm which is a federally registered broker-dealer. BankAtlantic is a federal savings bank headquartered in Fort Lauderdale, Florida. BankAtlantic is a community-oriented bank which provides traditional retail banking services and a wide range of commercial banking products and related financial services through a network of 80 branches or stores located in Florida. Ryan Beck is a full service broker-dealer headquartered in Florham Park, New Jersey. Ryan Beck provides financial advice to individuals, institutions and corporate clients through 43 offices in 14 states. Ryan Beck also engages in the underwriting, distribution and trading of tax-exempt, equity and debt securities.

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

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

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

BankAtlantic performed a review of the classification of its loan participations in its financial statements for the year ended December 31, 2005. Based on the review, BankAtlantic concluded that certain loan participations should be accounted for as secured borrowings instead of participations sold. As a consequence, certain participations that were previously recorded as participations sold aggregating \$174.9 million were corrected in the Company's March 31, 2005 financial statements to reflect such amounts as loans receivable and secured borrowings.

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

The allowance consists of two components. The first component of the allowance is for high-balance non-homogenous loans that are individually evaluated for impairment. The process for identifying loans to be evaluated individually for impairment is based on management's identification of classified loans. Once an individual loan is found to be impaired, a valuation allowance is assigned to the loan based on one of the following three methods: (1) present value of expected future cash flows, (2) fair value of collateral less costs to sell, or (3) observable market price. Non-homogenous loans that are not impaired are assigned an allowance based on common characteristics with homogenous loans.

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

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BankAtlantic Bancorp, Inc. and Subsidiaries

Delinquency and charge-off levels and trends;

Problem loans and non-accrual levels and trends;

Lending policy and underwriting procedures;

Lending management and staff;

Nature and volume of portfolio;

Economic and business conditions;

Concentration of credit;

Quality of loan review system; and

External factors

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

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

2. Stock Based Compensation

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

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified prospective transition method and therefore has not restated results for prior periods. Under this transition method, share-based compensation expense for the three months ended March 31, 2006 includes compensation expense for all share-based compensation awards granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provision of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). Share-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of five years, except for options granted to directors which vest immediately. Prior to the adoption of SFAS 123R and during the three months ended March 31, 2005, the Company recognized share-based compensation expense in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations. No compensation was recognized when option grants had an exercise price equal to the market value of the underlying common stock on the date of grant.

The impact of adopting SFAS 123R on the Company's Consolidated Financial Statements for the three months ended March 31, 2006 was a reduction of \$984,000 and \$813,000 in income before income taxes and net income, respectively, than if the Company had continued to account for stock-based compensation under APB 25.

In addition, prior to the adoption of SFAS 123R, the tax benefits of stock option exercises were classified as operating cash flows. Since the adoption of SFAS 123R, tax benefits resulting from tax deductions in excess of the

compensation cost recognized for options are classified as financing cash flows. As the Company adopted the modified prospective transition method, the prior period cash flow statement was not adjusted to reflect current period presentation.

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The following table illustrates the pro forma effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation for the three months ended March 31, 2005 compared to the actual results reported under SFAS No. 123R for the three months ended March 31, 2006.

(in thousands, except share data)	For the Three Months Ended March 31,	
	2006	2005 (Proforma)
Net income, as reported	\$ 6,712	\$ 19,878
Add: Stock-based employee compensation expense included in reported net income, net of related income tax effects	1,069	44
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related income tax effects	(1,069)	(517)
Net income	\$ 6,712	\$ 19,405
Earnings per share:		
Basic as reported	\$ 0.11	\$ 0.33
Basic pro forma	\$ N/A	\$ 0.32
Diluted as reported	\$ 0.11	\$ 0.31
Diluted pro forma	\$ N/A	\$ 0.31

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

	Class A Nonvested Restricted Stock	Weighted Average Grant date Fair Value
Outstanding at December 31, 2004	147,500	\$ 1,112,795
Vested		
Forfeited		
Issued		
Outstanding at March 31, 2005	147,500	\$ 1,112,795
Outstanding at December 31, 2005	132,634	\$ 1,060,470
Vested	(2,317)	(43,745)
Forfeited		
Issued		
Outstanding at March 31, 2006	130,317	\$ 1,016,725

As of March 31, 2006, there was \$851,000 of total unrecognized compensation cost related to nonvested restricted stock compensation. The cost is expected to be recognized over a weighted-average period of approximately

5 years. The fair value of shares vested during the three months ended March 31, 2006 was \$32,000.

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

The Company formulated its assumptions used in estimating the fair value of employee options granted subsequent to January 1, 2006 in accordance with guidance under SFAS 123R and the guidance provided by the Securities and

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

The table below presents the weighted average assumptions used to value options granted during the three months ended March 31, 2006. There were no options granted during the three months ended March 31, 2005.

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

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

	Class A Outstanding Options
Outstanding at December 31, 2004	6,174,845
Exercised	(713,085)
Forfeited	(22,979)
Issued	
Outstanding at March 31, 2005	5,438,781
Outstanding at December 31, 2005	6,039,253
Exercised	(1,174,744)
Forfeited	(117,867)
Issued	37,408
Outstanding at March 31, 2006	4,784,050
Available for grant at March 31, 2006	5,127,253

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The aggregate intrinsic value of options outstanding and options exercisable as of March 31, 2006 was \$19.8 million and \$15.1 million, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2006 and 2005 was \$11.3 million and \$12.5 million, respectively.

	For the Three Months Ended March 31,	
	2006	2005
Weighted average exercise price of options outstanding	\$ 10.25	\$ 7.39
Weighted average exercise price of options exercised	\$ 4.10	\$ 2.17
Weighted average price of options forfeited	\$ 13.42	\$ 10.00

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

During the three months ended March 31, 2006 and 2005, the Company received net proceeds of \$473,000 and \$422,000, respectively, upon the exercise of stock options. During the quarter ended March 31, 2006 and 2005, the Company accepted 316,076 shares of Class A common stock with a fair value of \$4.3 million and 62,253 shares of Class A common stock with a fair value of \$1.1 million, respectively, as consideration for the exercise price of stock options. Also during the quarter ended March 31, 2006 and 2005, the Company accepted 194,872 shares of Class A common stock with a fair value of \$2.7 million and 196,962 shares of Class A common stock with a fair value of \$3.5 million, respectively, for payment of optionees' minimum statutory withholding taxes related to option exercises.

The following table summarizes information about fixed stock options outstanding at March 31, 2006:

Class of Common Stock	Range of Exercise Prices	Options Outstanding			Options Exercisable	
		Number Outstanding at 03/31/06	Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable at 03/31/06	Weighted- Average Exercise Price
A	\$1.92 to \$3.83	670,026	4.2 years	\$ 3.00	670,026	\$ 3.00
A	\$3.84 to \$6.70	741,296	2.2 years	4.83	739,794	4.83
A	\$6.71 to \$9.36	1,755,005	6.5 years	7.98	65,310	8.01
A	\$9.37 to \$18.19	114,952	7.7 years	12.68	37,452	10.27
A	\$ 18.20 to \$19.02	1,502,771	8.7 years	18.62	59,371	18.48
		4,784,050	6.3 years	\$ 10.25	1,571,953	\$ 4.83

The following table summarizes information about fixed stock options outstanding at March 31, 2005:

Class of Common Stock	Range of Exercise Prices	Options Outstanding			Options Exercisable	
		Number Outstanding at 03/31/05	Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable at 03/31/05	Weighted- Average Exercise Price
A	\$1.92 to \$3.83	1,520,499	4.2 years	\$ 3.19	485,478	\$ 3.71
A	\$3.84 to \$6.70	1,276,928	3.1 years	4.96	1,275,426	4.96

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A	\$6.71 to \$9.36	1,841,210	7.2 years	7.98	65,310	8.01
A	\$9.37 to \$18.19	30,044	3.0 years	9.36	30,044	9.36
A	\$ 18.20 to \$19.02	770,100	8.7 years	18.20	35,000	18.20
		5,438,781	5.6 years	\$ 7.39	1,891,258	\$ 5.06

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

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

Options forfeited during the three months ended March 31, 2006 and 2005 had a weighted average exercise price of \$5.26.

The table below presents the weighted average assumptions used to value Ryan Beck options granted during the three months ended March 31, 2006 and 2005.

	For the Three Months Ended March 31,	
	2006	2005
Stock Price	\$ 8.74	\$ 5.46
Exercise Price	\$ 8.74	\$ 5.46
Interest Rate	4.55%	4.39%
Dividend Rate	0.82%	0.83%
Volatility	18.36%	21.97%
Option Life (years)	7.00	6.00
Option Value	\$ 2.32	\$ 1.57
Annual Forfeiture Rate	9.32%	%

All options granted during 2006 vest in four years and expire ten years from the date of grant. The aggregate intrinsic value of options outstanding and options exercisable as of March 31, 2006 was \$11.9 million and \$7.6 million, respectively.

The following table summarizes information about fixed stock options outstanding at March 31, 2006:

Range of Exercise Prices	Number Outstanding at 03/31/06	Options Outstanding		Options Exercisable	
		Weighted- Average Remaining	Weighted- Average Exercise Price	Number Exercisable at 03/31/06	Weighted- Average Exercise Price

**Contractual
Life**

\$1.60 to \$1.68	1,320,000	6.1 years	\$	1.62	1,065,000	\$	1.60
\$5.26 to \$5.46	726,500	7.9 years		5.27			
\$5.50 to \$8.74	377,500	9.8 years		8.74			
	2,424,000	7.2 years	\$	3.82	1,065,000	\$	1.60

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The following table summarizes information about fixed stock options outstanding at March 31, 2005:

Range of Exercise Prices	Number Outstanding at 03/31/05	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 03/31/05	Weighted-Average Exercise Price
\$1.60 to \$1.68	1,365,000	6.9 years	\$ 1.62	1,065,000	\$ 1.60
\$1.70 to \$3.50	75,000	8.5 years	3.36		
\$5.26 to \$5.46	820,000	8.4 years	5.27		
	2,260,000	7.5 years	\$ 3.00	1,065,000	\$ 1.60

During the three months ended March 31, 2005, Ryan Beck repurchased 90,000 shares of Ryan Beck common stock issued in June 2004 upon exercise of Ryan Beck stock options at \$5.46 per share, the fair value of Ryan Beck common stock at the repurchase date.

3. Advances from the Federal Home Loan Bank

During the three months ended March 31, 2006, BankAtlantic prepaid \$50.5 million of fixed rate Federal Home Loan Bank (FHLB) advances. Of this amount, \$25.5 million had an average interest rate of 5.67% and was scheduled to mature in 2008, and the remaining \$25 million had an average interest rate of 4.50% and was scheduled to mature in 2011. BankAtlantic incurred a prepayment penalty of \$423,000 upon the repayment of the \$25.5 million 5.67% advance and recorded a gain of \$436,000 upon the repayment of the \$25 million 4.50% advance. BankAtlantic prepaid these advances as part of a market risk strategy to reduce the effects of an asset sensitive portfolio on the net interest margin by shortening the average maturity of its outstanding interest-bearing liabilities.

Of the remaining FHLB advances outstanding at March 31, 2006, \$481 million mature between 2008 and 2011 and have a fixed weighted average interest rate of 5.39%, \$505 million are LIBOR-based floating rate advances that mature in 2006 and had a weighted average interest rate of 4.81% and \$100 million are callable adjustable rate advances that bear interest at a LIBOR-based floating rate which adjusts quarterly, have maturities between 2009 and 2012 and currently have a weighted average interest rate of 4.34%.

4. Defined Benefit Pension Plan

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

	For the Three Months Ended March 31,	
	2006	2005
Service cost benefits earned during the period	\$	\$
Interest cost on projected benefit obligation	407	376
Expected return on plan assets	(547)	(500)
Amortization of unrecognized net gains and losses	237	181
Net periodic pension expense	\$ 97	\$ 57

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

5. 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.

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

	March 31, 2006	December 31, 2005	March 31, 2005
States and municipal obligations	\$ 49,019	\$ 76,568	\$ 18,181
Corporate debt	6,075	3,410	8,201
Obligations of U.S. Government agencies	59,139	45,827	59,430
Equity securities	26,846	23,645	17,645
Mutual funds and other	22,629	28,359	28,535
Certificates of deposit	5,862	2,483	10,302
	\$ 169,570	\$ 180,292	\$ 142,294

In the ordinary course of business, Ryan Beck borrows or carries excess funds under agreements with its clearing brokers. Securities owned are pledged as collateral for clearing broker borrowings. As of March 31, 2006 and 2005, balances due from clearing brokers were \$2.7 million and \$1.1 million, respectively. As of March 31, 2006 and December 31, 2005, balances due to the clearing brokers were \$32.2 million and \$24.5 million, respectively.

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

	March 31, 2006	December 31, 2005	March 31, 2005
Equity securities	\$ 8,917	\$ 3,780	\$ 7,586
Corporate debt	1,248	1,332	4,383
State and municipal obligations	227	41	67
Obligations of U.S. Government agencies	30,827	29,653	48,232
Certificates of deposits	609	371	8
	\$ 41,828	\$ 35,177	\$ 60,276

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

During the year ended December 31, 2005, Ryan Beck organized a Delaware limited partnership to operate as a hedge fund that primarily trades equity securities. The Partnership is consolidated into the General Partner, a wholly owned subsidiary of Ryan Beck, which controls the Partnership. Included in securities owned and securities sold but not yet purchased was \$4.9 million and \$1.1 million, respectively, associated with the Partnership at March 31, 2006 compared to \$3.4 million and \$1.3 million, respectively, at December 31, 2005.

Table of Contents**BankAtlantic Bancorp, Inc. and Subsidiaries****6. Loans Receivable**

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

	March 31, 2006	December 31, 2005	March 31, 2005
Real estate loans:			
Residential	\$ 2,058,607	\$ 2,043,055	\$ 2,140,431
Construction and development	1,076,049	1,339,576	1,550,998
Commercial	1,083,217	1,060,245	1,101,096
Small business	164,307	151,924	129,921
Loans to Levitt Corporation		223	7,605
Other loans:			
Home equity	511,715	513,813	469,804
Commercial business	128,279	89,752	91,332
Small business non-mortgage	83,956	83,429	72,861
Loans to Levitt Corporation			16,000
Consumer loans	14,359	21,469	12,804
Deposit overdrafts	5,406	5,694	6,959
Residential loans held for sale	6,810	2,538	3,824
Discontinued loan products (1)	729	1,207	6,718
Total gross loans	5,133,434	5,312,925	5,610,353
Adjustments:			
Undisbursed portion of loans in process	(568,056)	(649,296)	(767,380)
Premiums related to purchased loans	4,556	5,566	6,532
Deferred fees	(3,302)	(3,231)	(5,051)
Allowance for loan losses	(41,889)	(41,192)	(43,042)
Loans receivable net	\$ 4,524,743	\$ 4,624,772	\$ 4,801,412

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

The Company's loans to Levitt Corporation had an outstanding balance of \$0, \$223,000 and \$23.6 million at March 31, 2006, December 31, 2005 and March 31, 2005, respectively. Included in interest income in the Company's statement of operations for the three months ended March 31, 2006 and 2005 was \$0 and \$613,000, respectively, of interest income related to loans to Levitt.

7. Real Estate Held for Development and Sale

Real estate held for development and sale consists of real estate held by a joint venture that was acquired in connection with the acquisition in 2002 of a financial institution and real estate held for sale associated with BankAtlantic branch banking facilities.

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

	March 31, 2006	December 31, 2005	March 31, 2005
Land and land development costs	\$ 12,806	\$ 9,921	\$ 10,831
Construction costs	4,865	8,264	9,190
Other costs	4,676	2,992	2,310
Branch banking facilities			2,468
Total	\$ 22,347	\$ 21,177	\$ 24,799

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

	For the Three Months Ended March 31,	
	2006	2005
Sales of real estate	\$ 6,513	\$ 9,028
Cost of sales on real estate	7,609	6,787
 (Loss) income from real estate operations	 \$ (1,096)	 \$ 2,241

As of March 31, 2006, an impairment analysis was performed on the real estate inventory. Based on the analysis, the estimated fair value of the real estate inventory was determined to be lower than the carrying amount and the real estate inventory is impaired. However, the impairment is considered recoverable as the undiscounted estimated cash flow is greater than the real estate inventory carrying amount resulting in no adjustment to the real estate inventory carrying amount as of March 31, 2006.

8. Related Parties

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

The Company maintains service arrangements with BFC, pursuant to which the Company provides office facilities to BFC and its affiliates and the Company is compensated based on its costs. As of January 1, 2006, certain of the Company's human resource, risk management and investor relations employees were hired by BFC. As a consequence, BFC began providing these back-office support functions to the Company and Levitt. Included in non-interest income during the three months ended March 31, 2006 was \$97,000 of revenues from BFC for office facilities overhead. Included in non-interest expense for the three months ended March 31, 2006 was \$237,000 of expenses associated with back-office support services provided by BFC to the Company. Pursuant to the Company's stock options plans, stock options are not cancelled when former employees are employed by an affiliate Company. As a consequence, as of March 31, 2006 options to acquire 128,621 shares of the Company's Class A common stock granted to affiliate employees were outstanding with a weighted average exercise prices of \$12.62. Of these outstanding options, 117,584 options with a weighted average exercise price of \$13.48 were unvested resulting in the Company recording \$33,000 of compensation expense associated with these unvested options during the three months ended March 31, 2006. Additionally, the Company in prior periods has issued options to acquire shares of the Company's Class A stock to employees of affiliated companies. As of March 31, 2006, 216,379 options to acquire shares of the Company's Class A common stock granted to these affiliate employees were outstanding with weighted average exercise prices of \$7.34. Of these outstanding options 140,621 options with a weighted average exercise price of \$4.03 were unvested resulting in the Company recording \$30,000 of compensation expense associated with these unvested options during the three months ended March 31, 2006.

During 2005, the Company maintained service arrangements with BFC and Levitt, pursuant to which the Company provided the following back-office support functions to Levitt and BFC: human resources, risk management, project planning, system support and investor and public relations services. For such services, the Company was compensated on a costs plus 5% basis. Additionally, the Company rented office space to Levitt and BFC on a month-to-month basis and received rental payments at agreed upon rates that may not have been equivalent to market rates. These amounts were included in non-interest income in the Company's statement of operations for the three months ended March 31, 2005.

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The table below shows the service fees and rent payments from Levitt and BFC to the Company for office space rent and back-office support functions for the three months ended March 31, 2005 (in thousands):

	BFC	Levitt	Total
Service fees	\$ 58	\$ 113	\$ 171
Rent	22	6	28
Total	\$ 80	\$ 119	\$ 199

Additionally, during the three months ended March 31, 2005, Levitt paid BankAtlantic \$29,000 for project management services and the Company recognized expenses of \$148,000 for risk management services provided by Bluegreen. For these services, the Company paid or was compensated, as applicable, on a cost plus 5% basis.

BankAtlantic has entered into repurchase agreements with Levitt and BFC in aggregate amounts of \$19.0 million, \$6.2 million and \$49.3 million at March 31, 2006, December 31, 2005 and March 31, 2005, respectively. The Company recorded \$152,000 and \$149,000 of interest expense associated with these repurchase agreements during the three months ended March 31, 2006 and 2005, respectively.

9. Segment Reporting

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

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

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

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

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The company evaluates segment performance based on segment net income after tax. The table below is segment information for segment net income for the three months ended March 31, 2006 and 2005 (in thousands):

	BankAtlantic	Ryan Beck	Parent Company	Adjusting and Elimination Entries	Segment Total
2006					
Interest income	\$ 87,344	\$ 4,238	\$ 597	\$ (68)	\$ 92,111
Interest expense	(32,205)	(1,621)	(5,215)	68	(38,973)
Provision for loan losses	(163)				(163)
Non-interest income	27,007	54,562	3,353		84,922
Non-interest expense	(67,383)	(60,335)	(1,950)		(129,668)
Segments profits and (losses) before income taxes	14,600	(3,156)	(3,215)		8,229
Provision for income taxes	(4,182)	1,591	1,074		(1,517)
Segment net income (loss)	\$ 10,418	\$ (1,565)	\$ (2,141)	\$	\$ 6,712
Total assets	\$ 6,000,100	\$ 224,655	\$ 797,672	\$ (664,825)	\$ 6,357,602
2005					
Interest income	\$ 80,746	\$ 2,947	\$ 678	\$ (23)	\$ 84,348
Interest expense	(26,401)	(502)	(4,570)	23	(31,450)
Recovery from loan losses	3,916				3,916
Non-interest income	23,541	54,686	532	(89)	78,670
Non-interest expense	(50,264)	(52,565)	(2,045)	89	(104,785)
Segments profits and (losses) before income taxes	31,538	4,566	(5,405)		30,699
Provision for income taxes	(10,677)	(2,036)	1,892		(10,821)
Segment net income (loss)	\$ 20,861	\$ 2,530	\$ (3,513)	\$	\$ 19,878
Total assets	\$ 6,267,779	\$ 191,012	\$ 752,752	\$ (629,012)	\$ 6,582,531

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

	March 31, 2006	December 31, 2005	March 31, 2005
Commitments to sell fixed rate residential loans	\$ 25,685	\$ 13,634	\$ 16,985
Commitments to sell variable rate residential loans	2,147	4,438	5,399
Forward contract to purchase mortgage-backed securities			3,826
Commitments to purchase fixed rate residential loans	2,480		
Commitments to purchase variable rate residential loans	26,540	6,689	291,143
Commitments to originate loans held for sale	33,093	16,220	18,753
Commitments to originate loans held to maturity	435,973	311,081	312,628
Commitments to extend credit, including the undisbursed portion of loans in process	1,075,854	1,151,054	1,197,861
Commitments to purchase branch facilities land	5,225	5,334	
Standby letters of credit	68,155	67,868	55,590
Commercial lines of credit	125,195	119,639	135,603

Standby letters of credit are conditional commitments issued by BankAtlantic to guarantee the performance of a customer to a third party. BankAtlantic's standby letters of credit are generally issued to customers in the construction industry guaranteeing project performance. These types of standby letters of credit had a maximum exposure of \$48.5 million at March 31, 2006. BankAtlantic also issues standby letters of credit to commercial lending customers guaranteeing the payment of goods and services. These types of standby letters of credit had a maximum exposure of \$19.6 million at March 31, 2006. These guarantees are primarily issued to support public and private borrowing arrangements and have maturities of one year or less. The credit risk involved in issuing letters of credit 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 March 31, 2006, December 31, 2005 and March 31, 2005 was \$219,000, \$183,000 and \$87,000, respectively, of unearned guarantee fees. There were no obligations associated with these guarantees recorded in the financial statements.

11. Branch Sale

In January 2005, BankAtlantic sold a branch that was acquired in March 2002 in connection with the acquisition of a financial institution.

The following table summarizes the assets sold, liabilities transferred and cash outflows associated with the branch sale (in thousands).

	Amount
Assets sold:	
Loans	\$ 2,235
Property and equipment	733
Liabilities transferred:	
Deposits	(17,716)
Accrued interest payable	(27)
Net assets sold	(14,775)
Write-off of core deposit intangible assets	248
Gain on sale of branch	935
Net cash outflows from sale of branch	\$(13,592)

Table of Contents**BankAtlantic Bancorp, Inc. and Subsidiaries****12. Earnings per Share**

The following table reconciles the numerators and denominators of the basic and diluted earnings per share computation for the three months ended March 31, 2006 and 2005 (in thousands, except share data):

	For the Three Months Ended March 31,	
	2006	2005
Basic earnings per share:		
Net income	\$ 6,712	\$ 19,878
Basic weighted average number of common shares outstanding	61,005,408	60,071,605
Basic earnings per share	\$ 0.11	\$ 0.33
Diluted earnings per share:		
Net income	\$ 6,712	\$ 19,878
Subsidiary stock options		(120)
Income available after assumed conversion	\$ 6,712	\$ 19,758
Basic weighted average shares outstanding	61,005,408	60,071,605
Common stock equivalents resulting from stock-based compensation	1,755,670	3,135,265
Diluted weighted average shares outstanding	62,761,078	63,206,870
Diluted earnings per share	\$ 0.11	\$ 0.31

During the three months ended March 31, 2006 and 2005 1,580,271 and zero, respectively, of options to acquire shares of Class A common stock were anti-dilutive.

13. Investment in unconsolidated subsidiaries

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

	March 31, 2006	As of December 31, 2005	March 31, 2005
Statutory business trusts	\$ 7,910	\$ 7,910	\$ 7,910
Rental real estate joint ventures	4,086	4,554	
Total investments in unconsolidated subsidiaries	\$ 11,996	\$ 12,464	\$ 7,910

The consolidated statements of operations include the following amounts for income from unconsolidated subsidiaries (in thousands):

For the Three Months Ended March 31,	
2006	2005

Equity in earnings of rental real estate joint ventures	\$	670	\$	
Equity in earnings of statutory business trusts		150		131
Income from unconsolidated subsidiaries	\$	820	\$	131

During 2005, the Company invested in a rental real estate joint venture. The business purpose of this joint venture is to manage certain rental property with the intent to sell the property in the foreseeable future. The Company receives an 8% preferred return on its investment and 35% of any profits after return of the Company's investment and the preferred return. In January 2006, the Company recorded a gain of approximately \$600,000 and received a capital distribution of its \$4.5 million investment in the joint venture as the underlying rental property in the joint venture was sold.

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BankAtlantic Bancorp, Inc. and Subsidiaries

In March 2006, the Company invested \$4.1 million in another rental real estate joint venture. The business purpose of this joint venture is to manage certain rental property with the intent to sell the property in the foreseeable future. The Company receives an 8% preferred return on its investment and 50% of any profits after return of the Company's investment and the preferred return.

The remaining investments in unconsolidated subsidiaries consisted of the Company's investments in eleven statutory business trusts that were formed as financing vehicles solely to issue trust preferred securities.

14. New Accounting Pronouncements

In March 2006, the FASB issued SFAS No. 156, (Accounting for Servicing of Financial Assets - An Amendment of FASB Statement No. 140). This Statement amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. The Company currently does not own servicing financial assets or liabilities and Management believes that the adoption of this Statement will not have an impact on the Company's financial statements.

15. Subsequent Events

In April 2006, the Company entered into a deferred prosecution agreement with the Department of Justice relating to deficiencies identified in BankAtlantic's Bank Secrecy Act and anti-money laundering compliance programs, and at the same time entered into a cease and desist order with the Office of Thrift Supervision, and a consent with FinCEN relating to these compliance deficiencies. Under the agreement with the Department of Justice, BankAtlantic made a payment of \$10 million to the United States. The Office of Thrift Supervision and FinCEN have each independently assessed a civil money penalty of \$10 million. Under the OTS order and the FinCEN consent, the OTS and FinCEN assessment was satisfied by the \$10 million payment made pursuant to the agreement with the Department of Justice. As previously disclosed, BankAtlantic Bancorp established a \$10 million reserve during the fourth quarter of 2005 with respect to these matters and the payment has no impact on 2006 financial results. Provided that BankAtlantic complies with its obligations under the deferred prosecution agreement for a period of 12 months, the Department of Justice has agreed to take no further action in connection with this matter. BankAtlantic has been advised that the cease and desist order issued by the Office of Thrift Supervision and the FinCEN consent will have no effect on BankAtlantic's ongoing operations and growth, provided that BankAtlantic remains in full compliance with the terms of the orders.

In April 2006, the Company announced that it was seeking to monetize a portion of its investment in Ryan Beck through a financial transaction, which may include a public offering of Ryan Beck stock.

In May 2006, the Company's Board of Directors approved the repurchase of up to 6,000,000 shares of its Class A Common Stock. No termination date was set for the buyback program. Shares may be purchased on the open market, or through private transactions. The shares purchased in this program will be retired.

Table of Contents**BankAtlantic Bancorp, Inc. and Subsidiaries****Item 2. 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. and its wholly owned subsidiaries (the Company, which may also be referred to as we, us, or our) for the three months ended March 31, 2006 and 2005, respectively. 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) and Ryan Beck Holdings, Inc., the holding company for Ryan Beck & Co., Inc., a brokerage and investment banking firm located in Florham Park, New Jersey, 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 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, including the impact on the credit quality of our loans of changes in the commercial real estate market in our trade area; changes in interest rates and the effects of, and changes in, trade, monetary and fiscal policies and laws including their impact on BankAtlantic's net interest margin; adverse conditions in the stock market, the public debt market and other capital markets and the impact of such conditions on our activities and the value of our assets; BankAtlantic's seven-day banking initiatives and other growth, marketing or advertising initiatives not resulting in continued growth of low cost deposits or producing results which justify their costs; the impact of periodic testing of goodwill and other intangible assets for impairment. The results or performance derived or implied, directly or indirectly from the estimates and assumptions, are based on our beliefs and may not be accurate. Past performance, actual or estimated new account openings and growth rate may not be indicative of future results. Further, this document contains forward-looking statements with respect to Ryan Beck & Co., 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, its ability to recruit and retain financial consultants, the volatility of the stock market and fixed income markets, as well as its revenue mix, the success of new lines of business and growth; and additional risks and uncertainties that are subject to change and may be outside of Ryan Beck's control. Moreover, this document also contains forward-looking statements with respect to the pursuit of a financial transaction regarding the Company's investment in Ryan Beck, which are subject to a number of risks and uncertainties including but not limited to the fact that a financial transaction may not be consummated or may be consummated on terms different than those currently contemplated. In addition to the risks and factors identified above, reference is also made to other risks and factors detailed in this report and 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 consolidated statement of operations for the periods presented. Actual results could differ significantly from those estimates. Material

estimates that are particularly susceptible to significant change in subsequent periods relate to the determination of the allowance for loan losses, evaluation of goodwill and other intangible assets for impairment, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, the valuation of the fair value of assets and liabilities in the application of the purchase method of accounting, the amount of the deferred tax asset valuation allowance, accounting for contingencies, and assumptions used in the valuation of stock based compensation. The seven accounting policies that we have identified as critical accounting policies are: (i) allowance for loan losses; (ii) valuation of securities as well as the determination of other-than-temporary declines in value; (iii) impairment of goodwill and other indefinite life intangible assets; (iv) impairment of long-lived assets; (v) accounting for business combinations; (vi) accounting for contingencies; and (vii) accounting for share-based compensation. For a 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, 2005.

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BankAtlantic Bancorp, Inc. and Subsidiaries

Stock-based Compensation

The Company adopted SFAS 123R as of January 1, 2006 and elected the modified-prospective method, under which prior periods are not restated. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. See note 2 Stock Based Compensation for further information regarding the Company's accounting policies for stock based compensation under FAS 123R.

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

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

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

Summary Consolidated Results of Operations by Segment

(in thousands)	For the Three Months Ended March 31,		
	2006	2005	Change
BankAtlantic	\$ 10,418	\$ 20,861	\$ (10,443)
Ryan Beck	(1,565)	2,530	(4,095)
Parent Company	(2,141)	(3,513)	1,372
Net income	\$ 6,712	\$ 19,878	\$ (13,166)

For the Three Months Ended March 31, 2006 Compared to the Same 2005 Period:

The decrease in BankAtlantic's segment net income during the 2006 quarter compared to 2005 was primarily due to a substantial increase in non-interest expense to support our branch expansion strategy, maintain our current customer service levels and sustain our low cost deposit growth. Additionally, the 2005 quarter was favorably impacted by a \$3.9 million recovery from loan losses that did not occur during the current quarter, and a \$1.1 million loss from real estate operations during the current quarter compared to income of \$2.2 million during the 2005 quarter. The above reductions in BankAtlantic's segment net income were partially offset by higher non-interest income driven by transaction account fee income associated with low cost deposit growth. Also, BankAtlantic's net interest income improved slightly from the prior quarter as a higher net interest margin associated with higher low cost deposits was only partially offset by a decline in earning assets.

Ryan Beck's segment net loss during the current quarter was primarily due to compensation costs and other direct expenses associated with the expansion of several of its units, principally the capital markets division, in late 2005. Expense growth was primarily attributable to compensation expense from new hires associated with expansion in the capital markets, investment banking, and private client groups. The generation of any revenues associated with the new hires lagged the increased compensation expense. Compensation and benefits, principally related to this growth, accounted for two thirds of the increase in operating expenses. In addition, information processing costs and business development costs increased 23% and 46%, respectively, during the 2006 quarter compared to the prior quarter. These increases were also the result of the increased headcount.

The increase in Parent Company segment net income primarily resulted from securities activities gains. The Parent Company sold appreciated equity securities in managed funds in order to partially fund the interest expense on its junior subordinated debentures.

Table of Contents**BankAtlantic Bancorp, Inc. and Subsidiaries****BankAtlantic Results of Operations****Net interest income**

Bank Operations Business Segment
Average Balance Sheet - Yield / Rate Analysis
For the Three Months Ended

	March 31, 2006			March 31, 2005		
	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance	Revenue/ Expense	Yield/ Rate
(in thousands)						
Loans:						
Residential real estate	\$ 2,043,309	\$ 25,712	5.03%	\$ 2,085,473	\$ 25,509	4.89%
Commercial real estate	1,557,880	30,827	7.92	1,759,747	28,323	6.44
Loan participations sold	125,293	2,401	7.77	169,541	2,162	5.17
Consumer	539,937	9,477	7.02	487,746	6,776	5.56
Lease financing	467	15	12.85	6,242	151	9.68
Commercial business	102,066	2,246	8.80	94,283	1,640	6.96
Small business	241,103	4,708	7.81	195,733	3,491	7.13
Total loans	4,610,055	75,386	6.54	4,798,765	68,052	5.67
Investments tax exempt	393,159	5,731(1)	5.83	334,029	4,829(1)	5.78
Investments taxable	588,072	8,233	5.60	732,939	9,555	5.21
Total interest earning assets	5,591,286	89,350	6.39%	5,865,733	82,436	5.62%
Goodwill and core deposit intangibles	78,693			80,375		
Other non-interest earning assets	355,868			283,019		
Total Assets	\$ 6,025,847			\$ 6,229,127		
Deposits:						
Savings	\$ 331,117	313	0.38%	\$ 281,512	189	0.27%
NOW	760,419	934	0.50	664,313	602	0.37
Money market	829,700	3,984	1.95	921,382	2,704	1.19
Certificate of deposit	843,866	7,523	3.62	777,353	4,800	2.50
Total interest bearing deposits	2,765,102	12,754	1.87	2,644,560	8,295	1.27
Short-term borrowed funds	245,326	2,643	4.37	357,047	2,122	2.41
Advances from FHLB	1,164,675	14,140	4.92	1,536,434	13,674	3.61
Secured borrowings	125,293	2,401	7.77	169,541	2,162	5.17
Other borrowings	37,819	748	8.02	37,206	600	6.54

Total interest bearing liabilities	4,338,215	32,686	3.06	4,744,788	26,853	2.30
Demand deposits	1,065,909			913,717		
Non-interest bearing other liabilities	70,349			44,216		
Total Liabilities	5,474,473			5,702,721		
Stockholder's equity	551,374			526,406		
Total liabilities and stockholder's equity	\$ 6,025,847			\$ 6,229,127		
Net tax equivalent interest income/ net interest spread		56,664	3.33%		55,583	3.32%
Tax equivalent adjustment		(2,006)			(1,690)	
Capitalized interest from real estate operations		480			452	
Net interest income		\$ 55,138			\$ 54,345	

Margin

Interest income/interest earning assets			6.39%			5.62%
Interest expense/interest earning assets			2.37			1.86
Net interest margin (tax equivalent)			4.02%			3.76%

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

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BankAtlantic Bancorp, Inc. and Subsidiaries

For the Three Months Ended March 31, 2006 Compared to the Same 2005 Period:

The increase in tax equivalent net interest income primarily resulted from an improvement in the tax equivalent net interest margin, partially offset by a decline in average interest earning assets.

The improvement in our tax equivalent net interest margin primarily resulted from a significant increase in low cost deposits and secondarily from higher earning asset yields. Low cost deposits are savings, NOW and demand deposits and these average deposit balances increased from \$1,860 million during the three months ended March 31, 2005 to \$2,157 million during the current quarter. As a consequence, average low cost deposits were 56% of average deposits for the current quarter compared 52% during the prior quarter. The increase in average deposits also had a favorable impact on BankAtlantic's net interest spread as higher rate borrowings were replaced with lower cost deposits.

The margin improvement from the first quarter of 2005 was achieved in a flat yield curve environment as growth in low cost deposits coupled with the decline in other borrowings resulted in the net interest margin improvement. While further margin improvements will depend largely on the future pattern of interest rates, management believes that the expected continued growth in low cost deposits should result in a gradual improvement in BankAtlantic's margin in subsequent periods.

BankAtlantic experienced increases in both interest earning asset yields and interest bearing liability rates during the current quarter. Since June 2004, the prime interest rate has increased from 4.00% to 7.75% at March 31, 2006. This increase has favorably impacted yields on earning assets, which was partially offset by higher rates on borrowings.

BankAtlantic's average interest earning asset balances declined primarily due to a strategy implemented during the latter half of 2005 to limit earning asset growth in the current flat yield curve environment. Management expects to continue this strategy of limiting asset growth and increasing low cost deposits in a flat or inverted yield curve environment.

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

(in thousands)	For Three Months Ended	
	March 31,	
	2006	2005
Balance, beginning of period	\$ 41,192	\$ 46,010
Charge-offs:		
Consumer loans	(145)	(68)
Residential real estate loans	(68)	(198)
Small business	(86)	(128)
Continuing loan products	(299)	(394)
Discontinued loan products	(67)	(324)
Total charge-offs	(366)	(718)
Recoveries:		
Commercial business loans	120	1,110
Commercial real estate loans	43	
Small business	106	185
Consumer loans	81	44
Residential real estate loans	178	1
Continuing loan products	528	1,340
Discontinued loan products	372	326
Total recoveries	900	1,666
Net recoveries	534	948
Provision for (recovery from) loan losses	163	(3,916)
Balance, end of period	\$ 41,889	\$ 43,042

Charge-offs from continuing loan products were nominal for the three months ended March 31, 2006 and 2005. The majority of the continuing loan product recoveries during the 2005 quarter resulted from a \$1.1 million partial recovery of a commercial business loan that had been charged off during the third quarter of 2003. The lower charge-offs from discontinued loan products resulted from declining portfolio balances. The remaining balance of these discontinued loan products declined to \$729,000 from \$6.7 million a year earlier.

During the three months ended March 31, 2006, BankAtlantic recorded a provision for loan losses associated with unfavorable trends in home equity loan delinquencies and loan-to-value ratios. The provision was also increased in response to the continued rise in interest rates as well as the escalating higher cost trends in insurance, taxes and energy which generally adversely affect businesses and consumers.

The provision for loan losses was a net recovery during the 2005 quarter due to the commercial business loan recovery, declining reserves for discontinued loan products and the repayment of a large classified loan during 2005.

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

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

	March 31, 2006	December 31, 2005	March 31, 2005
NONPERFORMING ASSETS			
Nonaccrual:			
Tax certificates	\$ 685	\$ 388	\$ 418
Loans	6,101	6,801	6,504
Total nonaccrual	6,786	7,189	6,922
Reposessed assets:			
Real estate owned	1,647	967	1,438
Total nonperforming assets, net	\$ 8,433	\$ 8,156	\$ 8,360
Allowances			
Allowance for loan losses	\$ 41,889	\$ 41,192	\$ 43,042
Allowance for tax certificate losses	3,513	3,271	3,453
Total allowances	\$ 45,402	\$ 44,463	\$ 46,495
POTENTIAL PROBLEM LOANS			
Contractually past due 90 days or more	\$	\$	\$ 7,032
Performing impaired loans	184	193	216
Restructured loans	5	77	20
TOTAL POTENTIAL PROBLEM LOANS	\$ 189	\$ 270	\$ 7,268

Non-performing assets increased slightly from December 31, 2005 primarily resulting from higher real estate owned balances associated with tax certificate operations and purchased residential loan repossessions. The improvement in nonaccrual loans at March 31, 2006 compared to December 31, 2005 resulted from declines in non-performing residential loans. The majority of non-accrual loans were residential loans which amounted to \$5.1 million at March 31, 2006 compared to \$6.0 million and \$4.8 million at December 31, 2005 and March 31, 2005, respectively.

Loans contractually past due 90 days or more at March 31, 2005 primarily consisted of a \$7.0 million hotel loan that was repaid during 2005, after its scheduled maturity date.

BankAtlantic's Non-Interest Income

(in thousands)	For Three Months Ended March 31,		
	2006	2005	Change
Other service charges and fees	\$ 6,222	\$ 5,238	\$ 984
Service charges on deposits	19,099	12,989	6,110
Income (loss) from real estate operations	(1,096)	2,241	(3,337)

Securities activities, net	(1)	7	(8)
Gain associated with debt redemption	436		436
Other	2,347	3,066	(719)
Non-interest income	\$ 27,007	\$ 23,541	\$ 3,466

The higher Other service charges and fees during 2006 reflect the opening of new deposit accounts, including approximately 77,000 new accounts during the first quarter of 2006 compared to 55,000 during the comparable 2005 period. New ATM and check cards are issued with new checking and savings accounts and therefore the increase in accounts results in increases in interchange fees, annual fees and transaction fees on our customers' use of other banks' ATMs.

The higher revenues from service charges on deposits during 2006 primarily resulted from an increase in the number of checking accounts discussed above and secondarily from a higher frequency of overdrafts per account reflecting a change in policy allowing certain customers to incur debit card overdrafts.

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

Income (loss) from real estate operations represents revenues from a real estate joint venture that was acquired in connection with the acquisition in 2002 of a financial institution. The loss during the current quarter resulted from higher development and capitalized interest costs associated with units sold during the period. The higher development costs primarily resulted from an increase in the cost of building materials and a combination of higher labor costs and labor shortages resulting from the active real estate market, exacerbated by damage throughout the area from hurricanes over the past two years. It is possible that we may experience additional losses at this development, depending on the rate of future sales and development costs.

Gains associated with debt redemption was the result of a gain realized on the prepayment of a \$25 million FHLB advance scheduled to mature in 2011 with an average rate of 4.50%. BankAtlantic prepaid this advance as part of a market risk strategy to reduce the net effect of an asset sensitive portfolio on its net interest margin by shortening the average maturity of its outstanding interest-bearing liabilities.

Other income reported for the 2005 quarter was favorably impacted by a \$935,000 gain on the sale of a branch. The branch was acquired in March 2002 in connection with the acquisition of a financial institution.

BankAtlantic's Non-Interest Expense

(in thousands)	For Three Months Ended March 31,		
	2006	2005	Change
Employee compensation and benefits	\$ 34,357	\$ 26,398	\$ 7,959
Occupancy and equipment	12,372	9,117	3,255
Advertising and promotion	8,296	5,168	3,128
Amortization of intangible assets	401	425	(24)
Cost associated with debt redemption	423		423
Professional fees	2,193	1,895	298
Other	9,341	7,261	2,080
Non-interest expense	\$ 67,383	\$ 50,264	\$ 17,119

The significant increase in BankAtlantic's non-interest expense primarily resulted from the branch expansion and renovation initiatives, increased advertising and promotion expenditures to maintain low cost deposit growth and the hiring of additional personnel to maintain high customer service levels and to extend banking hours.

The substantial increase in employee compensation and benefits resulted primarily from Florida's Most Convenient Bank initiatives and the expansion of BankAtlantic's branch network. Additionally during the fourth quarter of 2005, BankAtlantic extended its branch hours and expanded its number of branches open to midnight. As a result of these initiatives, the number of full time equivalent employees increased to 2,328 at March 31, 2006 from 1,745 at March 31, 2005. Also contributing to the increased compensation costs were higher employee benefit costs, recruitment expenditures and temporary agency costs associated with maintaining a larger work force. Employee compensation costs for 2006 included \$693,000 of share-based compensation costs recorded as part of the Company's adoption of SFAS 123R compared to \$41,000 for 2005.

The significant increase in occupancy and equipment reflects higher building maintenance expenses required to support the renovated and expanded branch network, and higher costs associated with community banking operations as a result of extended weekend and weekday hours. Additionally, BankAtlantic incurred increased occupancy costs associated with the opening of its new corporate center and expanded back-office facilities. As a consequence of the above growth, depreciation, building repairs and maintenance, and rent expense increased by 39% from the same 2005 period.

During the fourth quarter of 2005, BankAtlantic significantly expanded its advertising campaign in an effort to maintain the growth rates of low cost deposits. The additional expenditures for advertising include branch grand

opening promotions as well as television, print media and radio advertising. During the 2006 quarter, BankAtlantic opened 77,000 new low cost deposit accounts, an increase of 37% over the corresponding 2005 quarter.

The cost associated with debt redemption was the result of a prepayment penalty incurred when BankAtlantic prepaid \$25.5 million of FHLB advances scheduled to mature in 2008 that had an average interest rate of 5.67%.

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

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

The increase in other non-interest expense relates to \$680,000 of higher check fraud losses, an additional \$370,000 of fees remitted for maintaining attorney escrow accounts, a \$540,000 increase in compliance costs and higher general operating expenses related to a significant increase in the number of customer accounts and the extended hours of the branch network.

Provision for Income Taxes

(in thousands)	For the Three Months Ended March 31,		
	2006	2005	Change
Income before income taxes	\$ 14,600	\$ 31,538	\$ (16,938)
Provision for income taxes	4,182	10,677	(6,495)
BankAtlantic net income	\$ 10,418	\$ 20,861	\$ (10,443)
Effective tax rate	28.64%	33.85%	-5.21%

The decline in the effective tax rate during the three months ended March 31, 2006 compared to the same 2005 period was the result of higher investments in tax exempt securities during 2006 compared to the 2005 quarter. The average balance of tax exempt securities was \$393.2 million during the 2006 quarter compared to \$334.0 million during the 2005 quarter.

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Ryan Beck Results of Operations

(in thousands)	For the Three Months Ended March 31,		
	2006	2005	Change
Net interest income:			
Broker dealer interest and dividends	\$ 4,238	\$ 2,947	\$ 1,291
Interest expense	(1,621)	(502)	(1,119)
Net interest income	2,617	2,445	172
Non-interest income:			
Principal transactions	24,720	19,802	4,918
Investment banking	3,702	11,882	(8,180)
Commissions	22,928	20,315	2,613
Other	3,212	2,687	525
Non-interest income	54,562	54,686	(124)
Non-interest expense:			
Employee compensation and benefits	44,355	38,437	5,918
Occupancy and equipment	3,871	4,118	(247)
Advertising and promotion	1,567	1,073	494
Professional fees	1,951	1,417	534
Communications	3,954	3,205	749
Floor broker and clearing fees	2,719	2,368	351
Other	1,918	1,947	(29)
Non-interest expense	60,335	52,565	7,770
Income (loss) before income taxes	(3,156)	4,566	(7,722)
Income taxes	(1,591)	2,036	(3,627)
Net (loss) income	\$ (1,565)	\$ 2,530	\$ (4,095)

Ryan Beck incurred a net loss of \$1.6 million for the first quarter 2006 as compared to net income of \$2.5 million in the first quarter 2005, primarily as a result of increased expenditures associated with additional capital markets personnel hired during the second half of 2005 and 2006 and decreased investment banking revenue. The decrease in investment banking revenue was partially offset by an increase in principal transactions and an increase in interest on trading securities, reflecting higher yields on Ryan Beck's fixed income inventory as a result of increases in short-term interest rates.

Net interest income increased 7% in the first quarter of 2006, compared to the same 2005 quarter. Included in interest income is Ryan Beck's participation in interest income associated with approximately \$231 million of customer margin debit balances.

Principal transaction revenue increased by 25% compared to the same quarter of 2005, primarily due to an increase in Ryan Beck's equity and fixed income trading revenue in the first quarter of 2006 compared to the same 2005 quarter. This increase was partially offset by a decrease in gross sales credits associated with corporate bonds

and equity securities.

Investment banking revenue decreased by 69% from the same quarter of 2005, attributable mainly to decreased consulting and merger and acquisition fees, due to lower deal activity in both the financial institutions group and middle market groups during the first quarter of 2006.

Commission revenue increased by 13% from the same quarter of 2005, attributable mainly to increased equity transactions, and managed money revenues. Other income is primarily comprised of rebates received on customer money market balances and inactive fees received on customer accounts.

The increase in employee compensation and benefits of 15% from 2005 was primarily due to expansion and related hiring, most significantly in the capital markets group during the third and fourth quarter 2005 and first quarter 2006.

Occupancy and equipment decreased by 6% from the same quarter of 2005, attributable mainly to a decrease in depreciation and amortization of leasehold improvements during the quarter ended March 2006.

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

Advertising and promotion expense increased 46% from the same quarter of 2005. This increase was primarily attributable to an increase in travel and entertainment expenses associated with the expansion of the capital markets groups business during 2005 and first quarter 2006.

Professional fees increased 38% from the same quarter 2005. This increase was primarily due to an increase in legal fees and legal settlements during the first quarter 2006.

Communication expense increased 24% from the same 2005 quarter. This increase was primarily due to the addition of offices and the increase in capital markets personnel during 2005 and the 2006 first quarter.

The increase in floor broker and clearing fees of 15% was primarily due to the increase in transactional business in the first quarter 2006, compared to the first quarter 2005. This increase was reflected in the 6% increase in tickets processed to 265,000 for 2006 versus 249,000 for 2005.

Parent Company Results of Operations

	2006	For the Three Months Ended March 31, 2005	Change
(in thousands)			
Net interest income:			
Interest and dividend income	\$ 597	\$ 678	\$ (81)
Interest expense	(5,215)	(4,570)	(645)
Net interest expense	(4,618)	(3,892)	(726)
Non-interest income:			
Income from unconsolidated subsidiaries	820	131	689
Securities activities, net	2,541	95	2,446
Other		306	(306)
Non-interest income	3,361	532	2,829
Non-interest expense:			
Employee compensation and benefits	1,487	960	527
Professional fees	106	859	(753)
Other	365	226	139
Non-interest expense	1,958	2,045	(87)
Loss before income taxes	(3,215)	(5,405)	2,190
Income taxes	(1,074)	(1,892)	818
Net loss	\$ (2,141)	\$ (3,513)	\$ 1,372

During the three months ended March 31, 2006, interest and dividend income consisted of \$529,000 of interest and dividends on managed fund investments and \$68,000 of interest income associated with a BankAtlantic repurchase agreement account.

During the three months ended March 31, 2005, interest and dividend income consisted of interest on loans to Levitt of \$465,000, interest and dividends from managed funds of \$190,000, and \$23,000 of interest income associated with a BankAtlantic repurchase agreement account.

Interest expense increased during the first quarter of 2006, compared to the same 2005 period, as a result of higher interest rates during 2006 compared to 2005. The Company's junior subordinated debentures and other borrowings average balances were \$263.7 million during the three months ended March 31, 2006, of which \$129.3 million accrue at floating rates, compared to average junior subordinated debenture and other borrowings balances of \$263.3 million, with \$128.9 million accruing at floating rates, during the comparable 2005 period.

Income from unconsolidated subsidiaries during the three months ended March 31, 2006 represents \$150,000 of equity earnings from trusts formed to issue trust preferred securities as part of trust preferred securities offerings and \$670,000 of equity earnings from a rental real estate joint venture. The Parent Company recorded a gain of approximately \$600,000 associated with the sale of the underlying rental property in the joint venture.

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BankAtlantic Bancorp, Inc. and Subsidiaries

Income from unconsolidated subsidiaries during the three months ended March 31, 2005 represents equity earnings from trusts formed to issue trust preferred securities.

Securities activities during the three months ended March 31, 2006 and 2005 represent gains from managed funds. During the 2006 quarter, the Parent Company sold \$6.4 million of equity securities from its portfolio for gains of \$2.5 million in order to partially fund the interest expense on its junior subordinated debentures. The Parent Company anticipates continuing this strategy in subsequent periods.

Other income during the first quarter of 2005 represented fees received by the Company for investor relations and risk management services provided by the Company to Levitt and BFC. During 2006, these services were provided to the Company by BFC and are reflected in other expenses.

The Company's compensation expense during 2006 represents salaries and bonuses for executive officers of the Company as well as recruitment expenses. Additional compensation expense during 2006 also included payroll taxes associated with the exercise of stock options and \$271,000 of share-based compensation costs.