SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE YEAR ENDED DECEMBER 31, 1997

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

COMMISSION FILE NUMBER
34-027228

BANKATLANTIC BANCORP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| | |
|---|---|
| FLORIDA | 65-0507804 |
| (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) | (I.R.S. EMPLOYER IDENTIFICATION NUMBER) |
| 1750 EAST SUNRISE BOULEVARD FT. LAUDERDALE, FLORIDA | 33304 |
| (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) | (ZIP CODE) |

(954) 760-5000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

NAME OF EACH EXCHANGE ON WHICH REGISTERED
NEW YORK STOCK EXCHANGE

TITLE OF EACH CLASS
CLASS A COMMON STOCK, PAR VALUE $0.01 PER SHARE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF CLASS
CLASS B COMMON STOCK, PAR VALUE $0.01 PER SHARE

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

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

The aggregate market value of the voting and non voting common equity held by non-affiliates of the Registrant at February 27, 1998 was approximately $270,000,000.

The number of shares of Registrant's Class A Common Stock outstanding on February 27, 1998 was 21,534,545.

The number of shares of Registrant's Class B Common Stock outstanding on February 27, 1998 was 10,828,077.

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

# PART I

## ITEM 1. BUSINESS

Except for historical information contained herein, the matters discussed in this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1993, 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 report, or in the documents incorporated by reference herein, the words "anticipate", "believe", "estimate", "may", "intend", "expect" and similar expressions identify certain of such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of BankAtlantic Bancorp, Inc. ("the Company") and are subject to a number of risks and uncertainties, including but not limited to, economic, competitive and other factors affecting the Company's operations, markets, products and services, as well as expansion strategies and other factors discussed elsewhere in this report filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control.

GENERAL

THE COMPANY

The Company is a unitary savings bank holding company whose primary asset is the capital stock of BankAtlantic, a Federal Savings Bank ("BankAtlantic"), its wholly owned subsidiary. Under applicable law, the Company generally has broad authority with few restrictions to engage in various types of business activities. At present the Company's primary activities relate to the operations of BankAtlantic and BankAtlantic's subsidiaries however, as discussed herein, the Company recently entered into an agreement to acquire Ryan, Beck & Co., Inc., an investment banking firm and in September 1997, the Company acquired 50% ownership of the voting stock of Florida Atlantic Securities, Inc. ("FASI"), a full service investment banking and securities brokerage firm. On February 26, 1998 the Company entered into an agreement to acquire Leasing Technology Inc. ("LTI"). LTI is engaged in all facets of leasing and financing. It is anticipated that LTI will operate as a wholly owned subsidiary of BankAtlantic pending regulatory approval. As a unitary savings bank holding company, the Company is registered with the Office of Thrift Supervision ("OTS") and is subject to OTS regulations, examinations, supervision and reporting. See "Regulation and Supervision".

BANKATLANTIC

BankAtlantic is headquartered in Ft. Lauderdale, Florida and provides a full range of commercial banking products and related financial services directly and through subsidiary corporations. The principal business of BankAtlantic is attracting checking and savings deposits from the public and general business customers and using these deposits to originate or acquire commercial, small business, residential and consumer loans and to make other permitted investments such as the purchase of mortgage-backed securities, tax certificates and other investment securities. In 1995, BankAtlantic acquired MegaBank, a Miami-based commercial bank with deposits of approximately $120 million, which added 5 branches to BankAtlantic's network. In 1996, BankAtlantic acquired Bank of North America ("BNA"), a Florida chartered commercial bank with deposits of approximately $470 million and 13 branches, 5 of which were consolidated with existing branches of BankAtlantic. On October 31, 1997, BankAtlantic acquired the St. Lucie West Holding Corp. ("SLWHC") for approximately $20.0 million. SLWHC is the developer of the master planned community of St. Lucie West, ("SLW") located in St. Lucie County, Florida. See Note 21 of the Consolidated Financial Statements.

BankAtlantic currently operates through 65 branch offices, 14 in Miami-Dade, 26 in Broward and 13 in Palm Beach Counties in South Florida as well as 12 branches located throughout Florida in Walmart SuperStores. As reported by an independent statistical reporting service, BankAtlantic is



currently the second largest independent financial institution headquartered in the State of Florida based on assets at September 30, 1997, the most recent date utilized by such reporting service. BankAtlantic is regulated and examined by the OTS and the Federal Deposit Insurance Corporation ("FDIC") and its deposit accounts are insured up to applicable limits by the FDIC.

BankAtlantic's revenues are derived principally from interest earned on loans, mortgage-backed securities, tax certificates, investment securities, fees and interest earned from its mortgage servicing operations, gains on sales of loans, investments and mortgage servicing rights and fees earned on deposits and ATMs. BankAtlantic's major expense items are interest paid on deposits and borrowings, provision for loan losses and general and administrative expenses.

LENDING ACTIVITIES

GENERAL -- BankAtlantic's lending activities include residential real estate lending (including secondary market purchases of residential real estate loans), commercial lending (consisting of commercial real estate, commercial business lending and international lending), small business lending (primarily commercial loans under $1.0 million) and consumer lending (primarily consisting of loans secured by second liens on residential real property, loans secured by automobiles and boats and unsecured signature loans). See "Regulation and Supervision" for a description of restrictions on BankAtlantic's lending activities.

Interest rates and origination fees charged on loans originated by BankAtlantic are generally competitive with other financial institutions and other mortgage originators in BankAtlantic's general market area. BankAtlantic has an affirmative obligation, under the provisions of the Community Reinvestment Act of 1977, as amended (the "CRA"), to serve the credit needs of the communities in which it operates, and management believes that BankAtlantic fulfills its obligations under the CRA. See "Regulation and Supervision -- Community Reinvestment Act."

UNDERWRITING PROCEDURES -- BankAtlantic's loan origination underwriting procedures are designed to assess both the borrower's ability to make principal and interest payments and the value of the collateral securing the loan. Commercial real estate, corporate and portfolio residential loans of $500,000 or more, and consumer loans of $100,000 or more require the approval of BankAtlantic's Major Loan Committee. The Major Loan Committee consists of the Chief Executive Officer, the Vice Chairman, the Senior Executive Vice President, certain Executive Vice Presidents and certain other officers of BankAtlantic. The Executive Vice President of Community Banking must approve all small business loans of $500,000 to $1 million and loans above $1.0 million are referred to the Commercial Lending Department.

International loan underwriting procedures are designed to assess the country risk and the individual loan quality. All loans must be approved by the International Loan Committee ("ILC"). The committee consists of the Chief Executive Officer, certain Executive Vice Presidents, the Miami-Dade County President and the manager of International Lending. In addition, a Country Risk Committee ("CRC") has been established , which includes the above ILC members and an economist. The CRC meets monthly and their purpose is to establish guidelines by country, including amount of exposure, lines of business and duration.

Underwriting procedures for residential loan purchases are designed to assess the seller's underwriting procedures, as well as individual loan quality including credit review. The Company has developed comprehensive purchase guidelines for its loan eligibility requirements with respect to loan amount, type of property, state of residence, loan-to-value ratios, borrower's sources of funds, appraisal and loan documentation, among other things. In its loan purchases, BankAtlantic generally reserves the right to reject particular loans from a loan package being considered for purchase and does so for loans in a package that do not meet its eligibility requirements. Generally, commitments to purchase residential loans are made to mortgage bankers, investment bankers and unrelated financial institutions typically thirty to sixty days in advance of delivery, subject to due diligence.



COMMERCIAL REAL ESTATE LOANS -- Substantially all of BankAtlantic's commercial real estate loans relate to property located in Miami-Dade, Broward and Palm Beach Counties, Florida. BankAtlantic has, however, made commercial real estate loans elsewhere in Florida and anticipates increasing lending outside the South Florida area in the future. BankAtlantic's commercial real estate loans include permanent mortgage loans on commercial and industrial properties (generally having five to seven year maturities), construction loans secured by income producing properties (or for residential development and land acquisition) and development loans. BankAtlantic generally lends not more than 75% of the collateral's appraised value and generally requires borrowers to maintain appropriate escrow accounts at BankAtlantic for real estate taxes and insurance. In making lending decisions, BankAtlantic generally considers, among other things, the overall quality of the loan, the credit of the borrower, the location of the real estate, the projected income stream of the property and the reputation and quality of management constructing or administering the property. No one factor is determinative and such factors may be accorded different weight in any particular lending decision. As a general rule, BankAtlantic also requires that these loans be guaranteed by one or more of the individuals who have made a significant equity investment in the property. Permanent commercial real estate, development and construction lending is generally considered to have higher credit risk than single-family residential lending because the concentration of principal is on a limited number of loans and borrowers and repayment is significantly dependent on the successful development or operation of the related real estate project and thus may be subject, to a greater extent, to adverse conditions in the real estate market or the economy, generally. BankAtlantic's risk of loss on construction and development loans is dependent largely upon the accuracy of the initial estimate of the property's sell-out value upon completion of the project and the estimated cost of the project. If the estimated cost of construction or development proves to be inaccurate, BankAtlantic may be compelled to advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value proves to be inaccurate, BankAtlantic may be confronted, at or prior to the maturity of the loan, with a project value which is insufficient to assure full repayment. As loan payments become due, the cash flow from the project may not be adequate to service total debt and the borrower may seek to modify the terms of the loan. In addition, the nature of these loans is such that they are generally less predictable and more difficult to evaluate and monitor and collateral may be difficult to dispose of. BankAtlantic has sought to minimize these risks by lending primarily to established developers.

COMMERCIAL BUSINESS LOANS -- BankAtlantic's commercial business lending activities are generally directed towards small to medium size companies located in Miami-Dade, Broward and Palm Beach Counties, Florida. BankAtlantic's corporate lending division makes both secured and unsecured loans, although the majority of such lending is done on a secured basis. The average balance of new commercial business loans is in excess of $1 million and such loans are generally secured by the receivables, inventory, equipment, and/or general corporate assets of the borrowers. These loans generally have prime-based interest rates and are originated on a line of credit basis or on a fixed term basis ranging from one to five years. Line of credit loans are reviewed annually. Commercial business loans generally have a higher degree of credit risk than residential loans because they are more likely to be adversely affected by unfavorable economic conditions. The development of ongoing customer relationships with commercial borrowers is an important part of BankAtlantic's efforts to attract more low-interest and non-interest bearing demand deposits and to generate other fee-based, non-lending services.

INTERNATIONAL LOANS -- BankAtlantic's international lending activities began in 1997 and are currently with correspondent financial institutions in Latin America. The Company's international lending activities are anticipated to include (i) trade financing for correspondent financial institutions in Latin America, including pre-export financing, advances on letters of credit and banker's acceptances, (ii) trade financing for local commercial customers who are primarily importing from or exporting to Latin America, (iii) term financing of the export of United States goods and services guaranteed by the EximBank and (iv) other correspondent banking services. Trade finance for correspondent financial institutions is anticipated to be the largest segment of BankAtlantic's international lending activities. The yield on such loans is lower than the average yield for BankAtlantic's commercial business loan portfolio, but such loans are floating rate, and have short term maturities. At December 31, 1997,



approximately $12 million of loans were outstanding to correspondent financial institutions in Latin America. It is anticipated that 1998 lending levels will increase from 1997 levels. BankAtlantic also believes that this activity will provide an additional source of deposits and fee based income.

SMALL BUSINESS LENDING -- During the latter part of 1997, BankAtlantic focused its attention on small business lending activities. These activities are generally directed towards companies located in Miami-Dade, Broward and Palm Beach Counties Florida and the West Coast of Florida. BankAtlantic's small business lending division makes both secured and unsecured loans to businesses whose credit needs generally do not exceed $1.0 million. It is believed that this lending activity will increase in 1998 from 1997 levels. Lines of credit are due upon demand while term loans and owner-occupied real estate loans are originated with maturities ranging from one to twenty years. Small business loans have fixed and prime-based interest rates. Small business loans generally have a higher degree of credit risk than residential loans because they are more likely to be adversely affected by unfavorable economic conditions. The development of on-going customer relationships with small business borrowers is an important part of BankAtlantic's efforts to attract more non-interest bearing demand deposits and to generate other fee-based, non-lending services.

BANKER'S ACCEPTANCES -- Banker's acceptances are collateralized by various means, including inventory and receivables of borrowers of the issuing bank and are unconditional obligations of the issuing bank.

FACTORING -- In January 1997, BankAtlantic Factors, Inc. ("Factors") was established as a subsidiary of BankAtlantic. Factors purchases accounts receivable from a client with recourse. Clients are generally manufacturers, distributors, importers and service companies in various industries. Factors will advance funds to the client based on the eligible collateral. However, it may suffer a loss if the client's customer fails to pay and the client does not meet its recourse obligations to Factors. Credit facilities of $500,000 or more require the approval of the Division Head and Chief Executive Officer or the Executive Vice President of Commercial Lending. Outside brokers may be utilized to obtain relationships and in such case are paid commissions based on a percentage of earnings from an account as collected.

RESIDENTIAL REAL ESTATE LOANS -- BankAtlantic's direct residential real estate lending includes home mortgage loans originated by BankAtlantic and secured by residential real estate located in Miami-Dade, Broward and Palm Beach Counties, Florida. Additionally, the levels of residential real estate loans increased substantially as BankAtlantic increased secondary market purchases of wholesale residential real estate loans secured by property located throughout the United States. BankAtlantic's residential loans have been originated through its branch banking network, and a staff of commissioned lending officers. Applicable regulations require that all loans in excess of 90% of appraised value be insured by private mortgage insurance. BankAtlantic's policy is in compliance with these regulations and generally requires insurance on loan to value ratios greater than 80%. In connection with residential loans insured by the Federal Housing Administration ("FHA") or guaranteed by the Veterans Administration ("VA"), BankAtlantic may lend up to the maximum percentage of the appraised value acceptable to the insuring or guaranteeing agency. Appraised values are determined by on-site inspections conducted by qualified independent appraisers. BankAtlantic originates fixed rate loans with amortization periods of up to 30 years; however, substantially all of these loans are sold to correspondents. BankAtlantic also originates adjustable rate mortgage loans ("ARMs") with amortization periods of up to 30 years, the majority of which have been sold to correspondents with a lesser number retained for portfolio investment based on specific needs and criteria.

BankAtlantic purchases in the secondary market one-to-four family fixed and adjustable rate residential loans from various mortgage bankers, investment bankers and unrelated financial institutions throughout the United States. Purchases of residential loans throughout the United States reduces BankAtlantic's loan concentration in South Florida. While loans purchased in the secondary market generally have lower yields than originated loans, management believes that the lower yield is generally offset by lower administrative costs and the ability to partially manage the interest rate risk associated with these loans due to the size and generally homogenous nature of the purchases.



CONSUMER LOANS -- BankAtlantic originates consumer loans bearing both fixed and prime-based interest rates for terms primarily ranging for up to 5 years other than second mortgage loans, including home equity lines of credit, which may have longer terms. During the past several years, BankAtlantic has experienced significant growth in its consumer loan portfolio. Part of this growth was the result of BankAtlantic's acquisition of financial institutions which had originated consumer loans in prior years. A major portion of the consumer loan portfolio is indirect automobile loans (loans funded by BankAtlantic through automobile dealers rather than funded directly by BankAtlantic to its retail customers). Consumer loans, especially indirect automobile loans, present significantly more credit risk to BankAtlantic than residential real estate loans.

The indirect origination of consumer loan products generally requires funding of dealer reserves to dealers who originate such loans. The risk of amounts previously advanced to the dealer is primarily dependent upon loan performance but, secondarily, is dependent upon the financial condition of the dealer. The dealer is generally responsible to BankAtlantic for the amount of the reserve only if a loan giving rise to the reserve defaults or is prepaid. However, the dealer's ability to refund any portion of the unearned reserve to BankAtlantic is subject to economic conditions, generally, and the financial condition of the dealer. A decline in economic conditions could adversely affect both the performance of the loans and the financial condition of the dealer. There is no assurance that BankAtlantic could successfully recover amounts advanced in the event it pursues the dealer for amounts due. See Note 17 and Note 1 of the Consolidated Financial Statements regarding BankAtlantic's experience relating to the Subject Portfolio and Dealer Reserves, respectively.

LOAN COMMITMENTS -- BankAtlantic issues commitments to originate residential and commercial real estate loans, commercial business loans and small business loans on specified terms which are conditioned upon the occurrence of stated events. Loan commitments are generally issued in connection with (i) the origination of loans for the financing of residential properties by prospective purchasers, (ii) construction or permanent loans secured by commercial and multi-unit residential income-producing properties, (iii) loans to corporate borrowers in connection with loans secured by corporate assets, and (iv) the origination of loans for the refinancing of residential properties by existing owners.

The commitment procedure followed by BankAtlantic depends on the type of loan underlying the commitment. Residential loan commitments are generally limited to 60 days and are issued after the loan is approved. However, loan commitments may be extended based on the circumstances. BankAtlantic offers interest rate "locks" for a fee for periods of up to 270 days. BankAtlantic also issues short-term commitments on commercial real estate loans and commercial business loans. Short-term commitments generally remain open for no more than 90 days. BankAtlantic usually charges a commitment fee of 1% to 2% on short-term commitments relating to commercial real estate loans, commercial business loans and small business loans. In most cases, half of the fee is payable upon the acceptance of the commitment and is non-refundable. If the loan is ultimately made, the remainder of the commitment fee is collected at closing.

Standby letters of credit written are conditional commitments issued by or for the benefit of BankAtlantic to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. 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.

BankAtlantic has commitments to extend credit to financial institutions in Latin America. The commitments can be terminated at any time. Each financial institution is evaluated on a case by case basis.

MORTGAGE SERVICING RIGHTS -- As part of its strategic business plan, BankAtlantic periodically purchases mortgage servicing rights ("MSRs") through concurrent flow servicing arrangements supplemented with bulk purchases and sells such rights in larger volumes where the premiums available are generally greater.



It is currently BankAtlantic's intention to maintain servicing rights balances below 35% of core capital. BankAtlantic generally retains servicing rights on loans that its sells, and purchases wholesale residential real estate loans on both a servicing retained and servicing released basis. Sales of servicing rights are made based on market conditions as well as maintaining servicing rights below desired levels. The fees derived from servicing mortgage loans include mortgage servicing fees as well as return check and late charge fees. The amount of net revenue earned from loan servicing is significantly dependent on the prepayments of the underlying loans. Generally, as interest rates fall, loan prepayments accelerate, resulting in higher amortization of mortgage servicing rights due to the write-off of rights relating to loans that are prepaid. Conversely, as interest rates rise, loan prepayments decline, resulting in a longer average life of the rights and higher cumulative net revenues earned on mortgage servicing rights. BankAtlantic may be required under generally accepted accounting principles ("GAAP") to establish a valuation allowance to reflect a decline in the market value of its MSRs, while at the same time GAAP does not permit BankAtlantic to recognize increases in the market value of MSRs which appreciate in a rising interest rate environment except to recover an established valuation allowance. A decline in the value of mortgage servicing rights may also reduce regulatory capital. (See "Savings Institutions Regulation").

USURY LIMITATIONS -- The maximum rate of interest that BankAtlantic may charge for any particular loan transaction varies depending upon the purpose of the loan, the nature of the borrower, the security and other various factors set forth in Florida and Federal interest rate laws. Under Florida law, BankAtlantic is not subject to any usury ceiling on loans secured by a first lien on residential real estate and certain other secured loans. Other types of loans are subject to Florida's statutory usury ceiling which is currently 18% per annum, although certain types of loans, such as automobile loans, factored receivables and loans in excess of $500,000 may legally carry an interest rate of up to 25% per annum.

ALLOWANCE FOR LOAN LOSSES, NON-PERFORMING ASSETS, CLASSIFIED ASSETS AND IMPAIRED LOANS -- BankAtlantic follows a consistent procedural discipline and accounts for loan loss contingencies in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" ("Statement 5"). The following is a description of how each portion of the allowance for loan losses is determined.

BankAtlantic segregates the loan portfolio for loan loss purposes into broad segments, such as: commercial real estate; residential real estate; commercial business; and various types of consumer loans. BankAtlantic provides for a general allowance for losses inherent in the portfolio by the above categories, which consists of two components. General loss percentages are calculated based upon historical analyses. A supplemental portion of the allowance is calculated for inherent losses which probably exist as of the evaluation date even though they might not have been identified by the more objective processes used for the portion of the allowance described above. This is due to the risk of error and/or inherent imprecision in the process. This portion of the allowance is particularly subjective and requires judgments based on qualitative factors which do not lend themselves to exact mathematical calculations such as: trends in delinquencies and nonaccruals; migration trends in the portfolio; trends in volume, terms and portfolio mix; new credit products and/or changes in the geographic distribution of these products; changes in lending policies and procedures; loan review reports on the efficacy of the risk identification process; changes in the outlook for local, regional and national economic conditions; concentrations of credit; and peer group comparisons.

Specific allowances are provided in the event that the specific collateral analysis on each classified loan indicates that the probable loss upon liquidation of collateral would be in excess of the general percentage allocation. The provision for loan loss is increased or decreased in order to adjust the allowance for loan losses to the required level as determined above.

A loan is impaired when collection of principal and interest based on the contractual terms of the loan is not probable. BankAtlantic measures impairment based on (a) the present value of the expected future cash flows of the impaired loan discounted at the loan's original effective interest rate, (b) the



observable market price of the impaired loan, or (c) the fair value of the collateral of a collateral-dependent loan. BankAtlantic selects the measurement method on a loan-by-loan basis, except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral. Specific allowances are provided, as noted above, in the event the impairment calculation is in excess of the general allowance allocation. In a troubled debt restructuring, BankAtlantic measures impairment by discounting the total expected future cash flows at the loan's original effective rate of interest.

Loans collectively reviewed by BankAtlantic for impairment include all residential and consumer loans and performing commercial real estate and business loans under $500,000, excluding loans which are individually reviewed based on specific criteria, such as delinquency and condition of collateral property. BankAtlantic's impaired loans that are evaluated individually include nonaccrual commercial loans, restructured loans, and performing commercial loans less than 90 days delinquent where management does not expect the loans to be repaid in accordance with their contractual terms but which are expected to be collected in full. Generally, BankAtlantic recognizes interest income on impaired loans on a cash basis.

Although BankAtlantic believes it has a sound basis for estimating the adequacy of the allowance for loan losses, actual charge-offs incurred in the future are highly dependent upon future events, including the economic condition of the areas in which BankAtlantic lends, and may be greater than the amount of the allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review BankAtlantic's allowance for loan losses. Such agencies may require BankAtlantic to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

INVESTMENT ACTIVITIES

GENERAL -- The Company maintains a trading account which presently includes certain marketable equity securities and has an investment portfolio of debt and equity securities which are classified as available for sale. BankAtlantic also maintains an investment portfolio consisting primarily of mortgage-backed securities ("MBS"), tax certificates, Treasury Notes, Federal agency obligations, and asset-backed securities. Additionally, BankAtlantic has, in the past, purchased corporate bonds. Federal regulations limit the types and quality of instruments in which BankAtlantic may invest including marketable equity securities.

MBS are pools of residential loans which are made to consumers and then generally sold to governmental agencies, such as the Government National Mortgage Corporation ("GNMA"), Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC"). MBS have fixed or variable rates ("ARMs") and either 15-30 year maturities or 5-7 year balloon maturities. BankAtlantic generally invests in ARMs or 5-7 year balloon MBS insured or guaranteed by these government agencies. Asset-backed securities purchased by BankAtlantic consist of investment grade pooled automobile receivables. Corporate bonds consist generally of investment grade obligations of corporate borrowers with an average maturity of three years.

Investments in debt securities which BankAtlantic has a positive intent and ability to hold to maturity are classified as "securities held to maturity" and are carried at cost, adjusted for discounts and premiums which are accreted or amortized to estimated maturity under the interest method. A security cannot be classified as held to maturity if it might be sold in response to changes in market interest rates, related changes in the security's prepayment risk, liquidity needs, changes in the availability of and the yield on alternative investments, and changes in funding sources and terms.

Debt and equity securities and options related thereto, purchased or sold for the purpose of a short-term profit are classified as "trading securities" and are recorded at fair value. Unrealized gains and losses in trading securities are reflected in results of operations.

Debt and equity securities not classified as held to maturity or trading securities are classified as "available for sale". Debt and equity securities available for sale are carried at fair value, with the



related unrealized appreciation or depreciation, net of deferred income taxes, reported as a separate component of stockholders' equity. Generally, BankAtlantic has classified its investment in debt securities as "available for sale".

TAX CERTIFICATES -- BankAtlantic's portfolio includes tax certificates. Tax certificates are evidences of tax obligations that are auctioned by county taxing authorities on an annual basis when the property owner fails to pay the real estate taxes on the property when due. Tax certificates represent a priority lien against the real property for which the assessed real estate taxes are delinquent. Interest accrues on the tax certificates at the rate established at the auction. The minimum repayment on tax certificates in order to satisfy the lien is the certificate amount plus the greater of five percent of the certificate amount or the interest accrued through the redemption date. Although tax certificates have no payment schedule or stated maturity, the certificate holder has the right to collect the delinquent tax amount, plus interest and can file for a deed to the underlying property if the delinquent tax amount is unpaid at the end of two years. If the certificate holder does not file for the deed within seven years, the certificate becomes null and void. BankAtlantic's experience with this type of investment has been favorable as rates earned are generally higher than many alternative investments, substantial repayment generally occurs over a two year period and losses to date have been minimal. The primary risks BankAtlantic has experienced with tax certificates have related to the risk that additional funds may be required to purchase other certificates relating to the property, the risk that the liened property may be unusable and the risk that potential environmental concerns may make taking title to the property untenable. During 1997, BankAtlantic began acquiring tax certificates from various municipalities outside of the State of Florida. The nature of priority, statutory periods and deed procedures vary by applicable taxing authorities. There is no significant concentration of tax certificate purchases in any one taxing authority outside of the State of Florida. Tax certificates are classified as "held to maturity".

Management of BankAtlantic establishes an allowance for tax certificate losses in an amount which it believes is sufficient to provide for potential future losses. In establishing its allowances for tax certificates, management considers past loss experience, present indicators such as the length of time the certificate has been outstanding, economic conditions and collateral values. Tax certificates and resulting deed applications are classified as nonaccrual when a tax certificate is outstanding 48 months or a deed has aged 48 months from BankAtlantic's certificate acquisition date. At that time, interest ceases to be accrued and previously accrued interest is reversed.

REAL ESTATE HELD FOR DEVELOPMENT AND SALE ACTIVITIES -- On October 31, 1997, BankAtlantic, through a subsidiary, BankAtlantic Development Corp. ("BDC"), acquired for approximately $20.0 million, SLWHC. SLWHC is the developer of the master planned community of SLW, located in St. Lucie County, Florida. It is anticipated that this acquisition will provide BankAtlantic with additional sources of non-interest income through the development and sale of parcels of land. However, there is no assurance that this will occur. The developer's annual operating expenses are estimated to be approximately $4.2 million and there are no assurances that periodic sales of properties will be sufficient to ensure profitability in 1998 or in future years. To the extent sales are not adequate to cover operating expenses, the Company may have to provide additional funds to BDC. Real estate activities are highly speculative and represent a high degree of risk primarily due to the cyclical nature of the real estate industry and the uncertainty of future market conditions. In particular, the real estate and home building industries are adversely affected by decreases in employment levels, the availability and cost of financing and decreases in demand.

INVESTMENT IN REAL ESTATE JOINT VENTURES -- In addition to SLW, BDC has entered into joint venture agreements with two developers. No activity had begun as of December 31, 1997. BDC provided $1.2 million of equity capital during 1997 to one of the joint ventures and anticipates funding $1.5 million during 1998 to the other joint venture with the expectation of profit sharing once the projects are completed or near completion. It is anticipated that BDC will enter into other joint venture agreements and these agreements may require significant equity investment with potential profit sharing much later in the project. It is anticipated that BankAtlantic might provide financing to this and future joint ventures on an arms' length basis, in accordance with its usual lending and underwriting policies,



however, such lending activities may result in deferral of the recognition of interest income on the financing activity and/or the deferral of profit recognition from the joint venture.

The initial investment by BDC for SLW and the joint venture was funded by a capital contribution from the Company to BankAtlantic, which in turn provided the funds to BDC. Real estate development activities and investments in real estate joint ventures are non-permissable activities for National Banks, and are excluded from BankAtlantic's regulatory capital calculations. See "Regulation and Supervision" for a further discussion.

SOURCES OF FUNDS

GENERAL -- Historically, deposits have been the principal source of BankAtlantic's funds for use in lending and for other general business purposes. Loan repayments, sales of securities, capital contributions from the Company, advances from the Federal Home Loan Bank ("FHLB") of Atlanta and other borrowings, and the use of repurchase agreements have been additional sources of funds. Loan principal prepayments and deposit inflows and outflows are significantly influenced by general interest rates. Borrowings may be used by BankAtlantic on a short to intermediate term basis to compensate for reductions in normal sources of funds such as savings inflows, and to provide additional liquidity investments. On a long-term basis, borrowings may support expanded lending activities and purchases of loans and investments. Historically, BankAtlantic has borrowed primarily from the FHLB of Atlanta and through the use of repurchase agreements.

DEPOSIT ACTIVITIES -- BankAtlantic offers several types of deposit programs designed to attract both short-term and long-term funds from the general public by providing an assortment of accounts and rates. BankAtlantic believes that its product line is comparable to that offered by its competitors. BankAtlantic offers the following accounts: commercial and retail demand deposit accounts; regular passbook and statement savings accounts; money market accounts; fixed-rate, fixed-maturity certificates of deposit, ranging in maturity from 30 days to 8 years; variable-maturity jumbo certificates of deposit; and various NOW accounts. BankAtlantic also offers IRA and Keogh retirement accounts. BankAtlantic's deposit accounts are insured by the FDIC through the SAIF and the Bank Insurance Fund ("BIF") up to a maximum of $100,000 for each insured depositor.

BankAtlantic solicits deposits through advertisements in newspapers and magazines of general circulation and on radio and television in Miami-Dade, Broward and Palm Beach Counties, Florida. Most of its depositors are residents of these three counties at least part of the year. BankAtlantic does not currently hold any deposits obtained through brokers. Merrill Lynch granted BankAtlantic a facility of up to $135 million for brokered certificates of deposit. The facility is considered an alternative source of borrowings.

BORROWINGS -- BankAtlantic has utilized wholesale repurchase agreements as a means of obtaining funds and increasing yields on its investment portfolio. In a wholesale repurchase transaction, BankAtlantic sells a portion of its current investment portfolio (usually government and mortgage-backed securities) at a negotiated rate and agrees to repurchase the same assets on a specified date. Proceeds from such transactions are treated as secured borrowings pursuant to applicable regulations. See Note 10 to the Consolidated Financial Statements.

BankAtlantic is a member of the FHLB and is authorized to apply for secured advances from the FHLB of Atlanta. See "Regulation and Supervision." BankAtlantic uses advances from FHLB to match fund or partially match fund purchases of wholesale residential real estate loans, repay other borrowings, meet deposit withdrawals and expand its lending and short-term investment activities. See Note 9 to the Consolidated Financial Statements.

FEDERAL FUNDS BORROWINGS -- BankAtlantic has established unsecured facilities with five federally insured banking institutions to purchase Federal Funds aggregating $35 million. The facilities are used on an overnight borrowing basis to assist in managing BankAtlantic's cash flow requirements. These Federal Fund lines are subject to periodic review and may be terminated at any time by the issuer institution.



COMPETITION

As reported by an independent statistical reporting service, BankAtlantic is the second largest financial institution headquartered in the State of Florida based on assets at September 30, 1997, the most recent date utilized by such reporting service. BankAtlantic's operating goal is to provide a broad range of financial services with a strong emphasis on customer service.

BankAtlantic has substantial competition in attracting and retaining deposits and in lending funds. The primary factors in competing for deposits are the range and quality of financial services offered, the ability to offer attractive rates and the availability of convenient access to products and services. There is direct competition for deposits from credit unions and commercial banks and other savings institutions. Additional significant competition for savings deposits comes from other investment alternatives, such as money market funds, credit unions and corporate and government securities. The primary factors in competing for loans are the range and quality of lending services offered, interest rates and loan origination fees. Competition for the origination of real estate loans normally comes from other savings and financial institutions, real estate investment trusts, commercial banks, mortgage bankers, finance and insurance companies.

Legislative developments relating to interstate branching and the ownership of financial institutions are expected to result in continued consolidation of financial institutions, and also provide larger financial institutions increased access in the marketplace. Accordingly, BankAtlantic expects increased competition in the immediate future. See further discussion under "Regulation and Supervision -- Legislative Developments".

EMPLOYEES

The Company does not have any employees who are not also employees of BankAtlantic. At December 31, 1997, BankAtlantic employed 1,057 full-time and 82 part-time employees. Management believes that its relations with its employees are satisfactory. BankAtlantic currently maintains a comprehensive employee benefits program providing, among other benefits, a 401(k) plan, qualified defined benefit pension plan, managed health care and life insurance. These employee benefits are considered by management to be generally competitive with employee benefits provided by other major employers in Florida. BankAtlantic's employees are not represented by any collective bargaining group.

REGULATION AND SUPERVISION

GENERAL

The following description summarizes some of the laws to which the Company and BankAtlantic are subject. References herein to applicable statutes and regulations are brief summaries thereof, do not purport to be complete, and are qualified in their entirety by reference to such statutes and regulations.

The Company, by virtue of its ownership of all of the outstanding stock of BankAtlantic, is a unitary savings bank holding company subject to regulatory oversight by the OTS. As such, the Company is required to register with and be subject to OTS examination, supervision and certain reporting requirements. Further, as a company having a class of publicly held equity securities, the Company is subject to the reporting and the other requirements of the Securities and Exchange Act. In addition, BFC Financial Corporation ("BFC") which owns 45.6% of the Company's voting common stock, is subject to the same oversight by the OTS as discussed herein with respect to the Company.

BankAtlantic is a member of the FHLB system and its deposit accounts are insured up to applicable limits by the FDIC. BankAtlantic is subject to supervision, examination and regulation by the OTS and to a lesser extent by the FDIC as the insurer of its deposits. BankAtlantic must file reports with the OTS and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions. The OTS and the FDIC periodically



review BankAtlantic's compliance with various regulatory requirements. The regulatory structure also gives regulatory authorities extensive discretion with respect to the classification of non-performing and other assets and the establishment of adequate loan loss reserves for regulatory purposes.

HOLDING COMPANY REGULATIONS

The Home Owner's Loan Act ("HOLA") prohibits a savings bank holding company from directly or indirectly acquiring control, including through an acquisition by merger, consolidation or purchase of assets, of any savings association (as defined in Section 3 of the Federal Deposit Insurance Act) or any other savings and loan or savings bank holding company, without prior OTS approval. In considering whether to grant approval for any such transaction, the OTS will take into consideration a number of factors, including the competitive effects of the transaction, the financial and managerial resources and future prospects of the holding company and its bank or thrift subsidiaries following the transaction, and the compliance records of such subsidiaries with the CRA. Generally, a savings bank holding company may not acquire more than 5% of the voting shares of any savings association unless by merger, consolidation or purchase of assets, in each case subject to prior OTS approval. Another provision of HOLA permits a savings bank holding company to acquire up to 15% of the voting shares of certain undercapitalized savings associations.

Federal law empowers the Director of the OTS to take substantive action when it determines that there is reasonable cause to believe that the continuation by a savings bank holding company of any particular activity constitutes a serious risk to the financial safety, soundness, or stability of a savings bank holding company's subsidiary savings institution. The Director of the OTS has oversight authority for all holding company affiliates, not just the insured institution. Specifically, the Director of the OTS may, as necessary, (i) limit the payment of dividends by the savings institution; (ii) limit transactions between the savings institution, the holding company and the subsidiaries or affiliates of either; or (iii) limit any activities of the savings institution that might create a serious risk that the liabilities of the holding company and its affiliates may be imposed on the savings institution. Any such limits would be issued in the form of a directive having the legal effect of a cease and desist order.

ACTIVITIES LIMITATIONS -- The Company will remain a unitary savings bank holding company under applicable law until it acquires as a separate subsidiary another savings institution. A savings bank holding company whose sole subsidiary qualifies as a qualified thrift lender ("QTL"), described below, generally has the broadest authority to engage in various types of business activities with little to no restrictions on its activities. A holding company that acquires another institution and maintains it as a separate subsidiary or whose sole subsidiary fails to meet the QTL test will become subject to the activities limitations applicable to multiple savings bank holding companies. In general, a multiple savings bank holding company (or subsidiary thereof that is not an insured institution) may not commence, or continue for more than a limited period of time after becoming a multiple savings bank holding company (or a subsidiary thereof), any business activity other than (i) furnishing or performing management services for a subsidiary insured institution; (ii) conducting an insurance agency or an escrow business; (iii) holding, managing or liquidating assets owned by or acquired from a subsidiary insured institution; (iv) holding or managing properties used or occupied by a subsidiary insured institution; (v) acting as trustee under deeds of trust; (vi) those activities previously directly authorized by the OTS by regulation as of March 5, 1987 to be engaged in by multiple savings bank holding companies; or (vii) subject to prior approval of the OTS, those activities authorized by the Federal Reserve Board ("FRB") as permissible investments for bank holding companies. These restrictions do not apply to a multiple savings bank holding company if (a) all, or all but one, of its insured institution subsidiaries were acquired in emergency thrift acquisitions or assisted acquisitions and (b) all of its insured institution subsidiaries are QTLs.

RESTRICTIONS ON TRANSACTIONS WITH BANKATLANTIC -- BankAtlantic is subject to restrictions in its dealings with the Company and any other companies that are "affiliates" of the Company under HOLA and certain provisions of the Federal Reserve Act ("FRA") that are made applicable to savings institutions by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA")



and OTS regulations. See "Regulation and Supervision -- Savings Institution Regulations -- Transactions with Affiliates" below for a general discussion of the restrictions on dealing with affiliates.

LEGISLATIVE DEVELOPMENTS

INTERSTATE BANKING -- The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("RNA") authorizes interstate acquisition of banks and bank holding companies without geographic limitation beginning one year after enactment. In addition, beginning June 1, 1997, a bank may merge with a bank in another state as long as neither of the states has opted out of interstate branching between the date of enactment of the RNA and May 31, 1997. A bank may establish and operate a de novo branch in a state in which the bank does not maintain a branch if that state expressly permits de novo branching. Once a bank has established branches in a state through an interstate merger transaction, the bank may establish and acquire additional branches at any location in the state where any bank involved in the interstate merger transaction could have established or acquired branches under applicable federal or state law. A bank that has established a branch in a state through de novo branching may establish and acquire additional branches in such state in the same manner and to the same extent as a bank having a branch in such state as a result of an interstate merger. If a state opts out of interstate branching within the specified time period, no bank in any other state may establish a branch in the opting out state, whether through an acquisition or de novo. Florida has allowed holding companies from the Southeastern United States to acquire institutions in Florida since 1984, and in 1994 it was expanded to include savings bank and bank holding companies from other parts of the United States as well. In 1996, Florida enacted legislation, effective as of June 1, 1997, which allowed out-of-state institutions to enter Florida by merger with an existing Florida-based institution, and thereafter to branch throughout the state, by merger with out-of-state institutions. This may further increase competition for the Company by allowing large institutions from other parts of the United States to operate directly in Florida.

EXPANDED NON-BANKING ACTIVITIES -- Various bills have been introduced into the United States Congress that would repeal in some respects the provisions of the Glass-Steagall Act prohibiting certain banking organizations from engaging in certain securities activities and the provisions of the Bank Holding Company Act prohibiting affiliations between banking organizations and non-banking organizations. This legislation is still under discussion.

FDIC DEPOSIT INSURANCE -- On December 1, 1996 the FDIC finalized a rule lowering the rates on insurance assessments paid to the SAIF, effective October 1, 1996. The rule also separates, effective January 1, 1997, the Financing Corporation ("FICO") assessment to service the interest on its bond obligations from the SAIF assessment. The amount assessed on individual institutions by the FICO will be in addition to the amount paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. The FICO assessment rate for 1997 was set at 6.48 basis points annually for SAIF-assessable deposits and 1.30 basis points for BIF assessable deposits. By law, the FICO rate on BIF-assessable deposits must be one-fifth the rate on SAIF-assessable deposits until pro-rata sharing begins, when the insurance funds merge or January 1, 2000, whichever occurs first. BankAtlantic pays deposit insurance premiums primarily to the SAIF and secondarily to the BIF in connection with the deposits it acquired as a result of the acquisition of MegaBank. All deposits acquired as a result of the acquisition of BNA are subject to SAIF premiums. At December 31, 1997, BankAtlantic had approximately $139.5 million of deposits subject to BIF premiums and $1.6 billion of deposits subject to SAIF premiums.

SAVINGS INSTITUTION REGULATIONS

REGULATORY CAPITAL -- Both the OTS and the FDIC have promulgated regulations establishing capital requirements applicable to savings institutions. The effect and interrelationship of these regulations is discussed below.

Savings institutions must meet the OTS specific capital standards which by law must be no less stringent than capital standards applicable to national banks, with exceptions for risk-based capital



requirements to reflect interest rate risk or other risk. Capital calculated pursuant to the OTS regulations varies substantially from capital calculated pursuant to GAAP. At December 31, 1997, BankAtlantic exceeded all applicable regulatory capital requirements. The capital requirements are as follows:

(a) The leverage limit requires savings institutions to maintain core capital of at least 3% of adjusted total assets. Adjusted total assets are calculated as GAAP total assets, minus intangible assets (except those included in core capital as described below). Core capital consists of common shareholders' equity, including retained earnings, noncumulative perpetual preferred stock and related surplus, less specified intangible assets (including goodwill and mortgage servicing rights ("MSR")) as well as the amount equal to BankAtlantic's equity investment in subsidiaries engaged in activities not permissible to national banks. However, a portion of MSR may be included in adjusted assets and core capital. Generally, an amount may be included equal to the lower of (i) 90% of the fair market value of readily marketable MSR (ii) the current amortized book value as determined under GAAP or (iii) 50% of core capital.

(b) Under the tangible capital requirement, savings institutions must maintain tangible capital in an amount not less than 1.5% of adjusted total assets. Tangible capital is defined in the same manner as core capital. The percentage of MSR which may be included in tangible capital is equal to the lesser of (a) 100% of the amount of tangible capital that exists before the deduction of any disallowed MSR or (b) the amount of MSR allowed to be included in core capital.

(c) The risk-based standards of the OTS currently require maintenance of core capital equal to at least 4% of risk-weighted assets, and total capital equal to at least 8% of risk-weighted assets. Total capital includes core capital plus supplementary capital, but supplementary capital that may be included in computing total capital for this purpose may not exceed core capital. Supplementary capital includes cumulative perpetual preferred stock, allowable subordinated debt and general loan loss allowances, within specified limits. Such general loan loss allowances may not exceed 1.25% of risk-weighted assets. Risk-weighted assets are determined by assigning to all assets designated risk weights ranging from 0% to 100%, based on the credit risk assumed to be associated with the particular asset. See "Liquidity and Capital Resources" and Note 16 of the Consolidated Financial Statements for a discussion on BankAtlantic's capital position.

In addition to the capital requirements set forth in the OTS regulations, the OTS has delegated to its Regional Directors the authority to establish higher individual minimum capital requirements for savings institutions based upon a determination that the institution's capital is or may become inadequate in view of its circumstances.

The U.S. banking agencies (Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation - collectively "the Agencies") have each approved an interagency final rule which incorporates a measure for market risk into their risk-based capital standards. The final rule is based on an amendment to the Basle Capital Accord which requires banks to measure and hold capital in support of their exposure to market risk. Due to the final asset size and trading activity criteria, the rule is expected to apply to a limited number of very large institutions. The most significant modification to the rule is the elimination of the "standardized approach" and introduction of a requirement that all depository institutions and bank holding companies meeting the applicable criteria use their own internal model to measure market risk exposure. The standardized approach, however, has been retained for determining capital charges associated with specific risk in trading accounts to the extent that such risk is not addressed by an institution's internal model. Mandatory compliance with the rule is required beginning January 1, 1998. Backtesting must begin one-year after implementation of market risk calculations. BankAtlantic, based on its asset size and current trading activity, is not subject to the above rule.

Additionally, the OCC, which is the primary regulator for national banks, has adopted a final rule increasing the leverage ratio requirements for all but the most highly rated national banks. Pursuant to



FIRREA, the OTS is required to issue capital standards for savings institutions that are no less stringent than those applicable to national banks. Based on the OCC rule, savings institutions would be required to maintain a leverage ratio (defined as the ratio of core capital to adjusted total assets) of between 4% and 5%. If the OCC rule was in effect for OTS regulated financial institutions at December 31, 1997, BankAtlantic would have been in full compliance with the requirement.

INSURANCE OF ACCOUNTS -- BankAtlantic's deposits are insured by the SAIF and BIF for up to $100,000 for each insured account holder, the maximum amount currently permitted by law. See also "Legislative Developments -- FDIC Deposit Insurance."

As an insurer, the FDIC issues regulations and conducts examinations of its insured members. Insurance of deposits by the FDIC may be terminated by the FDIC, after notice and hearing, upon a finding that an institution has engaged in unsafe and unsound practices, is in an unsafe and unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the OTS or the FDIC. When conditions warrant, the

FDIC may impose less severe sanctions as an alternative to termination of insurance. BankAtlantic's management does not know of any present condition pursuant to which the FDIC would seek to impose sanctions on BankAtlantic or terminate insurance of its deposits. See "Competition" for potential changes in insurance assessments.

RESTRICTIONS ON DIVIDENDS AND OTHER CAPITAL DISTRIBUTIONS -- Current regulations applicable to the payment of cash dividends by savings institutions impose limits on capital distributions based on an institution's regulatory capital levels and net income. An institution that meets or exceeds all of its fully phased-in capital requirements (both before and after giving effect to the distribution) and is not in need of more than normal supervision would be a "Tier 1 association." Upon prior notice to, and non-objection by, the OTS, a Tier 1 association may make capital distributions during a calendar year up to the greater of (i) 100% of net income for the current calendar year plus 50% of its capital surplus or (ii) 75% of its net income over the most recent four quarters. Any additional capital distributions would require prior regulatory approval.

A "well capitalized" institution must have risk-based capital of 10% or more, core capital of 5% or more and Tier 1 risk-based capital (based on the ratio of core capital to risk-weighted assets) of 6% or more and may not be subject to any written agreement, order, capital directive or prompt corrective action directive issued by the OTS to meet and maintain a specific capital level or a specific capital measure. An institution will be categorized as: "adequately capitalized" if it has total risk-based capital of 8% or more, Tier 1 risk-based capital of 4% or more and core capital of 4% or more; "undercapitalized" if it has total risk-based capital of less than 8%, Tier 1 risk-based capital of less than 4% or core capital of less than 4%; "significantly undercapitalized" if it has total risk-based capital of less than 6%, Tier 1 risk-based capital of less than 3% or core capital of less than 3%; and "critically undercapitalized" if it has tangible capital of less than 2%. Any savings institution that fails its regulatory capital requirement is subject to enforcement action by the OTS or the FDIC. At December 31, 1997 BankAtlantic met the capital requirements of a "well capitalized" institution as defined above.

THE FEDERAL HOME LOAN BANK ("FHLB") SYSTEM -- BankAtlantic is a member of the FHLB system, which consists of 12 regional FHLBs governed and regulated by the Federal Housing Finance Board ("FHFB"). The FHLBs provide a central credit facility for member institutions. BankAtlantic, as a member of the FHLB of Atlanta, is required to acquire and hold shares of capital stock in the FHLB of Atlanta in an amount at least equal to the greater of 1% of the aggregate principal amount of its unpaid residential mortgage loans, home purchase contracts and similar obligations as of the close of each calendar year, or 5% of its borrowings from the FHLB of Atlanta (including advances and letters of credit issued by the FHLB on BankAtlantic's behalf). BankAtlantic is currently in compliance with this requirement.

Each FHLB makes loans (advances) to members in accordance with policies and procedures established by the board of directors of the FHLB. These policies and procedures are subject to the



regulation and oversight of the FHLB. All advances from the FHLB must be fully secured by sufficient collateral as determined by the FHLB of Atlanta. All long-term advances are required to provide funds for residential home financing. The FHLB of Atlanta has established standards of community service that members must meet to maintain access to long-term advances.

FEES AND ASSESSMENTS OF THE OTS -- The OTS has adopted regulations to assess fees on savings institutions to fund the operations of the OTS. The regulations provide for the OTS assessments to be made based on the total consolidated assets of a savings institution as shown on its most recent report to the agency. Troubled savings institutions (generally, those operating in conservatorship or with the lowest two (of five) supervisory subgroup ratings) are to be assessed at a rate 50% higher than similarly sized thrifts that are not experiencing problems.

INVESTMENT ACTIVITIES -- As a federally-chartered savings bank, BankAtlantic is subject to various restrictions and prohibitions with respect to its investment activities. These restrictions and prohibitions are set forth in HOLA and in the rules of the OTS and include dollar amount and procedural limitations. BankAtlantic is in compliance with these restrictions.

Under the Federal Deposit Insurance Act ("FDIA"), a savings institution is required to provide 30 days prior notice to the FDIC and the OTS of its desire to establish or acquire a new subsidiary or conduct any new activity through a subsidiary. The institution is also required to conduct the activities of the subsidiary in accordance with the OTS orders and regulations. The Director of the OTS has the power to force divestiture of any subsidiary or the termination of any activity it determines is a serious threat to the safety, soundness or stability of the savings institution or is otherwise inconsistent with sound banking principles. Additionally, the FDIC is authorized to determine whether any specific activity poses a threat to SAIF and to prohibit any member of SAIF from engaging directly in the activity, even if it is an activity that is permissible for a federally-chartered savings institution or for a subsidiary of a state-chartered savings institution.

SAFETY AND SOUNDNESS -- Operational and managerial standards for internal controls, information systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation and benefits for bank officers, employees, directors and principal shareholders are all the subject of extensive guidelines. Additionally, the OTS is empowered to set standards for any other facet of an institution's operations, not specifically covered by regulations. The OTS is required to prescribe asset quality, earnings and stock valuation standards specifying: (i) a maximum ratio of classified assets to capital; (ii) minimum earnings sufficient to absorb losses without impairing capital; (iii) to the extent feasible, a minimum ratio of market value to book value for publicly traded shares of the institution; and (iv) such other standards relating to asset quality, earnings and valuation as the OTS deems appropriate.

LOANS TO ONE BORROWER -- Generally, a savings institution's total loans and extensions of credit to one borrower or related group of borrowers, outstanding at one time and not fully secured by readily marketable collateral, may not exceed 15% of the institution's unimpaired capital and surplus. Except as set forth below for certain highly rated securities, an institution's investment in commercial paper and corporate debt securities of any one issuer or related entity must be aggregated "loans" for purposes of the immediately preceding sentence. Savings institutions may invest, in addition to the 15% general limitation, up to 10% of unimpaired capital and surplus in commercial paper of one issuer rated by two nationally recognized rating services in the highest category, or in corporate debt securities rated in one of the two highest categories by at least one such service. A savings institution may also lend up to 10% of unimpaired capital and surplus, if the loan is fully secured by readily marketable collateral. Readily marketable collateral is defined to include certain securities and bullion, but generally does not include real estate. At December 31, 1997, BankAtlantic was in compliance with the loans to one borrower limitations.

QUALIFIED THRIFT LENDER -- BankAtlantic, like all savings institutions, is required to meet the QTL test for, among other things, future eligibility for advances from the FHLB. The QTL test requires that



a savings institution's qualified thrift investments equal or exceed 65% of the savings institution's portfolio assets calculated on a monthly average basis in nine out of every twelve months. For the purposes of the QTL test, portfolio assets are total assets less intangibles, properties used to conduct business and liquid assets (up to 20% of total assets).

Any savings institution that fails to meet the QTL test must convert to a commercial bank charter or limit its future investments and activities to those permitted for both savings institutions and national banks. Additionally, any such savings institution that does not convert to a commercial bank charter will be ineligible to receive future advances from the FHLB and, beginning three years after the loss of QTL status, will be required to repay all outstanding advances from the FHLB except for special liquidity advances and dispose of or discontinue all preexisting investments and activities not permitted for both savings institutions and national banks. If an institution converts to a commercial bank charter, its deposits remain insured by SAIF until the FDIC permits it to transfer to BIF. If any institution that fails the QTL test and is controlled by a holding company, then, within one year after the failure, the holding company must register as a bank holding company and will be subject to all applicable restrictions on bank holding companies. At December 31, 1997, BankAtlantic was in compliance with current QTL requirements.

TRANSACTION WITH AFFILIATES -- As a federally chartered savings institution, BankAtlantic is subject to the OTS' regulations relating to transactions with affiliates, including officers and directors. BankAtlantic is subject to substantially similar restrictions regarding affiliate transactions as those imposed on member banks under Sections 22(g), 22(h), 23A, and 23B of the FRA.

Sections 22(g) and 22(h) establish restrictions on loans to directors, controlling shareholders and their related companies and certain officers. Section 22(g) provides that no institution may extend credit to an executive officer unless (i) the bank would be authorized to make such extension of credit to borrowers other than its officers, (ii) the extension of credit is on terms not more favorable than those afforded to other borrowers, (iii) the officer has submitted a detailed current financial statement and (iv) the extension of credit is on the condition that it shall become due and payable on demand at any time that the officer is indebted to any other bank or banks on account of extensions of credit in any one of the following three categories, in an aggregate amount greater than the amount of credit of the same category that could be extended to the officer by the institution: (a) an extension of credit secured by a first lien on a dwelling which is expected to be owned by the officer and used by the officer as his or her residence; (b) an extension of credit to finance the education of the children of the officer; or (c) for any other purpose prescribed by the OTS. Section 22(g) also imposes reporting requirements on both the officers to whom it applies and on the institution. Section 22(h) requires that loans to directors, controlling shareholders and their related companies and certain officers be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and that those loans do not involve more than the normal risk of repayment or present other unfavorable features or give preference to insiders over other employees.

Section 23A limits transactions with any one affiliate to 10% of the institution's capital and surplus and limits aggregate affiliate transactions to 20% of such capital and surplus. Sections 23A and 23B provide that a loan transaction with an affiliate generally must be collateralized (other than by a low-quality asset or by securities issued by an affiliate) and that all covered transactions as well as the sale of assets, the payment of money or the providing of services by a savings institution to an affiliate must be on terms and conditions that are substantially the same, or at least as favorable to the savings institution, as those prevailing for comparable non-affiliated transactions. A covered transaction is defined as a loan to an affiliate, the purchase of securities issued by an affiliate, the purchase of assets from an affiliate (with some exceptions), the acceptance of securities issued by an affiliate as collateral for a loan or the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. The OTS regulations clarify that transactions between either a thrift or a thrift subsidiary and an unaffiliated person that benefit an affiliate are considered covered transactions. A savings institution may make loans to or otherwise extend credit to an affiliate only if the affiliate is engaged solely in activities permissible for bank holding companies. In addition, no savings institution may purchase the securities



of any affiliate other than the shares of a subsidiary. The Director of the OTS may further restrict these transactions in the interest of safety and soundness. At December 31, 1997, BankAtlantic was in compliance with the restrictions regarding transactions with affiliates.

LIQUIDITY REQUIREMENTS OF THE OTS -- The OTS regulations currently require all member savings institutions to maintain an average daily balance of liquid assets (cash, certain time deposits, banker's acceptances, specified United States government, state or Federal agency obligations and other corporate debt obligations, certain mortgage related securities and commercial paper) equal to between 4% and 10% of the sum of the average daily balance during the preceding calendar month of net withdrawable accounts maturing in one year or less and short-term borrowings payable in one year or less. Monetary penalties may be imposed by the OTS for failure to meet liquidity requirements. During the year ended December 31, 1997 the liquidity requirement was between 4% to 5% and BankAtlantic was in compliance with all applicable liquidity requirements.

THE FEDERAL RESERVE SYSTEM -- BankAtlantic is subject to certain regulations promulgated by the FRB. Pursuant to such regulations, savings institutions are required to maintain non-interest bearing reserves against their transaction accounts (which include deposit accounts that may be accessed by writing checks) and non-personal time deposits. The FRB has authority to adjust reserve percentages and to impose in specified circumstances emergency and supplemental reserves in excess of the percentage limitations otherwise prescribed. The balances maintained to meet the reserve requirements imposed by the FRB may be used to satisfy liquidity requirements which may be imposed by the OTS. In addition, FRB regulations limit the periods within which depository institutions must provide availability for and pay interest on deposits to transaction accounts. Depository institutions are required to disclose their check holding policies and any changes to those policies in writing to customers. BankAtlantic believes that it is in compliance with all such FRB regulations.

COMMUNITY REINVESTMENT ACT -- Under the CRA, as implemented by OTS regulations, a savings institution has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA requires the OTS, in connection with its examination of a savings institution, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The CRA, as amended by FIRREA, requires public disclosure of an institution's CRA rating and requires that the OTS provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. An institution's CRA rating is taken into account in determining whether to grant charters, branches and other deposit facilities, relocations, mergers, consolidations and acquisitions. Poor CRA performance may be the basis for denying an application.

NEW ACCOUNTING STANDARDS AND POLICIES

In June 1997 the FASB issued Statements No. 130 ("FAS 130") "Reporting Comprehensive Income" and No. 131 ("FAS 131") "Disclosures About Segments of an Enterprise and Related Information". FAS 130 establishes standards for reporting comprehensive income in financial statements. This statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Some of the items included in comprehensive income are unrealized gains or losses on securities available for sale, underfunded pension obligations and employee stock options. FAS 131 establishes standards for the manner in which public companies report information about operating segments in annual financial statements and requires that those companies report selected information about operating segments in interim financial statements issued to shareholders. FAS 130 and FAS 131 are effective for periods beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comparative purposes is required. Implementation of FAS 130 and FAS 131 will require additional disclosure in the 1998 financial statements but will not have an impact on the Company's Statement of Financial Condition or Statement of Operations.



ITEM 2. PROPERTIES

The Company's and BankAtlantic's principal and executive offices are located at 1750 East Sunrise Boulevard, Fort Lauderdale, Florida 33304. BankAtlantic leases branch offices in Wal-Mart SuperStores in Lee, Sarasota, Osceola, Flagler, Manatee, Charlotte, Hernando and St. John Counties. BankAtlantic also maintains three ground leases in Broward County expiring in 1999-2072 and one ground lease in Palm Beach County expiring in 2000.

BankAtlantic owns four buildings and the associated land which houses its mortgage-servicing operations, consumer lending operations and administrative services. At December 31, 1997, the aggregate net book value of premises and equipment, including leasehold improvements and equipment, was $51.1 million. The following table sets forth at December 31, 1997 owned and leased branch offices in Miami-Dade, Broward and Palm Beach Counties, Florida and in Wal-Mart SuperStores as well as possible future branch sites owned or leased by BankAtlantic.

<TABLE>
<CAPTION>

| <S> | MIAMI-DADE <C> | BROWARD <C> | PALM BEACHES <C> | WAL-MART SUPERSTORES <C> |
|---|---|---|---|---|
| Owned full-service branches .......... | 2 | 14 | 8 | 0 |
| Leased full-service branches .......... | 12 | 12 | 5 | 12 |
| Total full-service branches ......... | 14 | 26 | 13 | 12 |
| Lease expiration dates ............... | 1998-2005 | 1998-2007 | 1999-2003 | 1999-2002 |
| Owned future branch sites ............ | 1 | 2 | 0 | 0 |
| Leased future branch sites ........... | 0 | 3 | 0 | 0 |
| Total future branch sites .......... | 1 | 5 | 0 | 0 |

</TABLE>

ITEM 3. LEGAL PROCEEDINGS

The following is a description of certain lawsuits other than ordinary routine litigation incidental to BankAtlantic's business to which the Company or BankAtlantic is a party:

JOSE DANIEL RUIZ CORONADO VS. BANKATLANTIC BANCORP, INC. IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF FLORIDA. CASE NO. 96-7115-CIV-GONZALEZ. This action was filed as a purported class action on September 27, 1996 on behalf of certain account holders of BankAtlantic whose bank accounts were seized by federal authorities. The complaint alleges that the financial privacy rights of the account holders under various federal and state laws were violated. On January 22, 1997, the Court entered an order dismissing the complaint against BankAtlantic. The Court found that BankAtlantic complied with applicable federal statutes. On appeal, the trial court decision was reversed and the action remanded for additional proceedings in the trial court. BankAtlantic is seeking a rehearing before the full tribunal of the Appellate Court.

IN RE STERLING RESOURCES

Two actions were filed in New Jersey. One of the actions was brought on behalf of the State of New Jersey and was resolved in 1995. The other action, entitled - FRANCES SCOTT, ON BEHALF OF HERSELF AND ALL OTHER SIMILARLY SITUATED AGAINST MAYFLOWER HOME IMPROVEMENT CORP., EQUICREDIT CORPORATION OF AMERICA, BERNARD PERRY, GINO CIUFFETELLI, HYMAN BEYER, JEFFREY BEYER, BRUCE BEYER, MNC CREDIT CORP., SHAWMUT BANK, FIRST TENNESSEE BANK, CIT GROUP/CREDIT FINANCE, INC., SECURITY PACIFIC FINANCIAL SERVICES, INC., JEROME GOLDMAN, BANKATLANTIC, FSB., MICHAEL BISCEGLIA AND GERALD ANNABEL, was filed in the Superior Court of New Jersey, Law Division-Passaic County-Docket No: PAS-L-2628-95, Honorable Frank M. Donato, J.S.C. and was commenced immediately after the resolution of the State of New Jersey action. This action purported to be a class action on behalf of the named and unnamed plaintiffs that may have obtained loans from dealers who subsequently sold the loans to financial institutions, including BankAtlantic. This action sought, among other things, recision of the loan agreements and damages. In November 1995, the court in this action entered an order dismissing the complaint against



BankAtlantic; plaintiff's appealed this ruling. In January 1996, the Appellate Court reversed the lower court's decision and remanded the case back to the trial court to determine whether the action could be maintained as a class action. The reversal was without prejudice to BankAtlantic's right to renew their summary judgment motion after the trial court made a determination as to plaintiff's ability to maintain this case as a class action. In December 1997, the trial court denied the plaintiff's motion for class certification and in January 1998 granted BankAtlantic's summary judgment motion. The Plaintiffs have appealed the trial court's ruling.

In an action entitled BANKATLANTIC, A FEDERAL SAVINGS BANK, A FEDERALLY CHARTERED SAVINGS BANK VS. NATIONAL UNION FIRE INSURANCE CO. OF PITTSBURGH, PENNSYLVANIA, A PENNSYLVANIA CORPORATION, UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF FLORIDA, 91-2940-CIV-MORENO, BankAtlantic and National Union entered into a Covenant Not To Execute (the "Covenant"). Pursuant to the Covenant, BankAtlantic will continue to pursue its litigation against National Union but has agreed to limit execution on any judgment obtained against National Union to $18 million. Further, BankAtlantic agreed to and did join certain third parties as defendants in the action. Subsequently, National Union was realigned from a defendant in the action to a co-plaintiff with BankAtlantic. Pursuant to the Covenant, National Union paid BankAtlantic approximately $6.1 million on execution of the Covenant, and agreed to pay an additional $3 million, which was paid in November 1993, and approximately $2.9 million which was paid on November 1, 1994. Further, National Union agreed to reimburse BankAtlantic for additional losses (as defined) incurred in connection with the Subject Portfolio, not in excess of $18 million; the full amount of which has been paid. In the event of recovery by BankAtlantic of damages against third party wrongdoers, BankAtlantic will be entitled to retain such amounts until such amounts plus any payments received from National Union equal $22 million plus the costs incurred by BankAtlantic of obtaining such recoveries. Thereafter National Union will be entitled to any such recoveries to the extent of the $18 million it has paid to BankAtlantic. The trial was held in February 1998 and judgment was entered in favor of BankAtlantic and National Union against over fifty third party defendants, individuals and corporations.

BankAtlantic is also currently a party to certain other lawsuits arising in the ordinary course of its business.

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

A special meeting of shareholders of the Company was held on February 3, 1998. The holders of the Company's Class A common stock voted 12,347,167 for, 1,303,396 against, with 76,677 abstaining to amend the Company's Articles of Incorporation increasing the authorized number of shares of Class A common stock from 30,000,000 to 80,000,000. The holders of the Company's Class B common stock voted 8,383,045 for, 1,309,017 against, with 20,689 abstaining to amend the Company's Articles of Incorporation increasing the authorized number of shares of Class A as described above and Class B common stock from 15,000,000 to 45,000,000.



PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

In 1996, the Company issued 2.85 million shares of Class A common stock in an underwritten public offering at $6.14 per share. In November 1997 the Company issued 4.3 million shares of Class A common stock in an underwritten public offering at $10.70 per share. On February 3, 1998 the shareholders approved an amendment to the Company's Articles of Incorporation, increasing the authorized shares to 80,000,000 of Class A common stock and 45,000,000 of Class B common stock.

The Company's Class A common stock is quoted on the New York Stock Exchange under the symbol "BBX" and the Company's Class B common stock is quoted on the Nasdaq National Market under the symbol "BANC". On February 27, 1998 there were approximately 883 record holders of the Class A common stock and 21,534,545 shares issued and outstanding and 604 record holders of the Class B common stock and 10,828,077 shares issued and outstanding.

The following table set forth, for the periods indicated, the high and low closing sale prices of the Class A common stock and the Class B common stock as reported by the Nasdaq National Market, as adjusted to reflect the 25% Class A common stock dividends issued in August 1997 and February 1998 to holders of both classes of common stock. Due to accounting and tax considerations, the stock dividend was paid in Class B common stock with respect to options to purchase Class B common stock previously granted under the Company's stock option plans.

<TABLE>
<CAPTION>

| | CLASS A COMMON STOCK PRICE | | CLASS B COMMON STOCK PRICE | |
|---|---|---|---|---|
| | HIGH | LOW | HIGH | LOW |
| <S> | <C> | <C> | <C> | <C> |
| For the Year ended December 31, 1997 ......... | $13 1/16 | $ 6 9/16 | $13 3/8 | $ 6 5/8 |
| Fourth Quarter ............................. | 13 1/16 | 10 1/2 | 13 3/8 | 10 11/16 |
| Third Quarter .............................. | 12 13/16 | 9 1/16 | 12 3/16 | 9 9/16 |
| Second Quarter ............................. | 9 | 7 5/16 | 9 1/4 | 7 3/4 |
| First Quarter .............................. | 8 7/16 | 6 9/16 | 8 3/4 | 6 5/8 |
| For the Year ended December 31, 1996 ......... | 7 | 5 3/8 | 7 | 5 3/16 |
| Fourth Quarter ............................. | 7 | 6 1/2 | 7 | 6 3/8 |
| Third Quarter .............................. | 6 13/16 | 5 3/8 | 7 | 5 1/4 |
| Second Quarter ............................. | 6 5/16 | 5 5/8 | 6 9/16 | 5 3/16 |
| First Quarter .............................. | 6 5/16 | 6 1/8 | 6 1/4 | 5 3/16 |
| For the Year ended December 31, 1995 ......... | -- | -- | 6 9/16 | 3 13/16 |
| Fourth Quarter ............................. | -- | -- | 6 9/16 | 5 13/16 |
| Third Quarter .............................. | -- | -- | 6 3/8 | 4 9/16 |
| Second Quarter ............................. | -- | -- | 4 13/16 | 3 13/16 |
| First Quarter .............................. | -- | -- | 4 5/16 | 4 |

</TABLE>

On December 31, 1997, the last sale price of the Class A common stock as reported by the New York Stock Exchange was $13.05 per share, and the last sale price of the Class B common stock as reported by the Nasdaq National Market was $13.40 per share.

On July 3, 1996, the Company consummated a public offering of $57.5 million aggregate principal amount of 6 3/4% Convertible Subordinated Debentures due July 1, 2006 (the "6 3/4% Debentures"). The 6 3/4% Debentures are convertible into shares of Class A common stock at an exercise price of $6.55 per share.

The Company's 6 3/4% Debentures are quoted on the Nasdaq SmallCap Market under the symbol "BANCG". On February 27, 1998 $57.1 million aggregate principal amount of the 6 3/4% Debentures



were outstanding. The following table sets forth, for the periods indicated, the high and low closing sale prices as reported by the Nasdaq SmallCap Market for the 6 3/4% Debentures.

| | HIGH | LOW |
|---|---|---|
| For the Year Ended December 31, 1997 .......... | $ 199 | $ 109 3/4 |
| Fourth Quarter .............................. | 196 | 164 |
| Third Quarter ............................... | 199 | 142 |
| Second Quarter .............................. | 143 1/4 | 121 |
| First Quarter ............................... | 131 | 109 3/4 |
| For the Year Ended December 31, 1996 .......... | $ 111 | $ 100 |
| Fourth Quarter .............................. | 111 | 110 |
| Third Quarter ............................... | 107 3/4 | 100 |
| Second Quarter .............................. | N/A | N/A |
| First Quarter ............................... | N/A | N/A |

On November 26, 1997, the Company consummated a public offering of $100 million aggregate principal amount of 5 5/8% Convertible Subordinated Debentures due December 1, 2007, ("the 5 5/8% Debentures"). The 5 5/8% Debentures are convertible into shares of Class A common stock at an exercise price of $12.94 per share. The Company's 5 5/8% Debentures are quoted on the Nasdaq SmallCap Market under the symbol "BANCH". On February 27, 1998 there was $100.0 million aggregate principal amount of 5 5/8% Debentures issued and outstanding. The high and low closing sales prices as reported by the Nasdaq SmallCap Market for the 5 5/8% Debentures during the fourth quarter of 1997 were $108 and $100 1/4 per debenture, respectively.

See Regulation and Supervision "Restrictions on Dividends and Other Capital Distributions" and "Management's Discussion and Analysis - Dividends" for a description of certain limitations on the payment of dividends by BankAtlantic. Prior to 1993, BankAtlantic had not paid any regular dividend on its common stock. Subject to the results of operations and regulatory capital requirements, the Company has indicated that it will seek to declare regular quarterly cash dividends on its common stock. The declaration and payment of dividends will depend upon, among other things, the results of operations, financial condition and cash requirements of the Company and on the ability of BankAtlantic to pay dividends or otherwise advance funds to the Company, which in turn is subject to OTS regulations and is based upon BankAtlantic's regulatory capital levels and net income.

<TABLE>
<CAPTION>

| <S> | CASH DIVIDENDS PER SHARE OF CLASS B COMMON STOCK <C> | CASH DIVIDENDS PER SHARE OF CLASS A COMMON STOCK <C> |
|---|---|---|
| Fiscal Year Ended December 31, 1997 ......... | $ 0.0852 | $ 0.0942 |
| Fourth Quarter ............................ | $ 0.0240 | $ 0.0264 |
| Third Quarter ............................. | $ 0.0240 | $ 0.0264 |
| Second Quarter ............................ | $ 0.0186 | $ 0.0207 |
| First Quarter ............................. | $ 0.0186 | $ 0.0207 |
| Fiscal Year Ended December 31, 1996 ......... | $ 0.0732 | $ 0.0828 |
| Fourth Quarter ............................ | $ 0.0186 | $ 0.0207 |
| Third Quarter ............................. | $ 0.0186 | $ 0.0207 |
| Second Quarter ............................ | $ 0.0180 | $ 0.0207 |
| First Quarter ............................. | $ 0.0180 | $ 0.0207 |
| Fiscal Year Ended December 31, 1995 ......... | $ 0.0682 | N/A |
| Fourth Quarter ............................ | $ 0.0180 | N/A |
| Third Quarter ............................. | $ 0.0180 | N/A |
| Second Quarter ............................ | $ 0.0161 | N/A |
| First Quarter ............................. | $ 0.0161 | N/A |

</TABLE>



ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The Selected Consolidated Financial Data presented below has been derived from the audited Consolidated Financial Statements of the Company and are qualified in their entirety by reference to the more detailed Consolidated Financial Statements and Independent Auditors Reports, included elsewhere within. Where appropriate, amounts and percentages have been adjusted for the January 1998, and July 1997 five-for-four common stock splits effected in the form of 25% stock dividends, issued in February 1998 and August 1997, respectively.

<TABLE>
<CAPTION>

| | AT DECEMBER 31, | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| | | | (IN THOUSANDS) | | |
| <S> | <C> | <C> | <C> | <C> | <C> |

| | | | | | |
|---|---|---|---|---|---|
| STATEMENT OF FINANCIAL CONDITION: | | | | | |
| Total assets | $3,064,480 | $2,605,527 | $1,750,689 | $1,539,653 | $1,359,195 |
| Loans receivable-net (1) | 2,072,825 | 1,824,856 | 828,630 | 546,396 | 485,956 |
| Mortgage-backed securities held to maturity | 0 | 0 | 0 | 573,913 | 443,249 |
| Securities available for sale | 607,490 | 439,345 | 691,803 | 53,969 | 83,116 |
| Investment and trading securities, net (2) | 60,280 | 54,511 | 49,856 | 211,776 | 97,701 |
| Mortgage servicing rights | 38,789 | 25,002 | 20,738 | 20,584 | 19,833 |
| Cost over fair value of net assets acquired and other intangibles | 26,327 | 29,008 | 11,521 | 0 | 0 |
| Deposits | 1,763,733 | 1,832,780 | 1,300,377 | 1,085,782 | 1,076,360 |
| Subordinated debentures and note payable | 179,600 | 78,500 | 21,001 | 0 | 0 |
| Guaranteed preferred beneficial interest in Company's Junior Subordinated Debentures | 74,750 | 0 | 0 | 0 | 0 |
| Advances from FHLB, federal funds purchased and securities sold under agreements to repurchase | 758,923 | 486,288 | 269,222 | 311,879 | 149,435 |
| Total stockholders' equity | 207,171 | 147,704 | 120,561 | 105,520 | 90,652 |

</TABLE>

- ----------------

(1) Includes $160.1 million and $109.9 million of banker's acceptances in 1997 and 1993, respectively.
(2) Excludes FHLB stock. Includes interest-bearing deposits in other banks, securities purchased under agreement to resell and trading securities of $5.1 million and $9.1 million in 1997 and 1994, respectively.



SELECTED CONSOLIDATED FINANCIAL DATA (CONTINUED)

<TABLE>
<CAPTION>

| | AT OR FOR THE YEARS ENDED DECEMBER 31, | |
|---|---|---|
| | 1997 | 1996 |
| | (IN THOUSANDS EXCEPT PER SHARE DATA) | |
| <S> | <C> | <C> |
| OPERATING RESULTS | | |
| Total interest income | $ 210,554 | $ 152,631 |
| Total interest expense | 115,191 | 77,031 |
| Net interest income | 95,363 | 75,600 |
| Provision for loan losses | 11,268 | 5,844 |
| Net interest income after provision for loan losses | 84,095 | 69,756 |
| NON-INTEREST INCOME: | | |
| Loan servicing and other loan fees | 4,640 | 4,216 |
| Gains on sales of loans available for sale | 6,802 | 534 |
| Gains on sales of mortgage servicing rights | 7,905 | 4,182 |
| Gains on sales of securities available for sale | 2,367 | 5,959 |
| Unrealized and realized gains on trading securities | 2,463 | 0 |
| Gain (loss) on sales of property and equipment, net | 852 | 3,061 |
| Other | 18,330 | 15,785 |
| Total non-interest income | 43,359 | 33,737 |
| NON-INTEREST EXPENSE: | | |
| Employee compensation and benefits | 40,236 | 33,216 |
| Occupancy and equipment | 18,666 | 13,615 |
| SAIF special assessment | 0 | 7,160 |
| Federal insurance premium | 1,084 | 2,495 |
| Advertising and promotion | 2,196 | 2,079 |
| Foreclosed asset activity, net | 118 | (725) |
| Other | 19,632 | 14,401 |
| Total non-interest expense | 81,932 | 72,241 |
| Income before income taxes | 45,522 | 31,252 |
| Provision for income taxes | 17,753 | 12,241 |
| NET INCOME | 27,769 | 19,011 |
| Dividend on non-cumulative preferred stock paid by BFC escrow | 0 | 0 |
| Dividends on non-cumulative preferred stock | 0 | 0 |
| Amount classified as dividends on non-cumulative preferred stock redemption | 0 | 0 |
| Total dividends on non-cumulative preferred stock | 0 | 0 |
| Net income available for common shares | $ 27,769 | $ 19,011 |
| CLASS A COMMON STOCK (7): | | |
| Basic earnings per share | $ 0.98 | $ 0.64 |
| Diluted earnings per share | $ 0.78 | $ 0.58 |
| BASIC WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING | 18,029,784 | 17,616,000 |
| DILUTED WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING | 27,893,534 | 21,968,058 |

| | | |
|---|---|---|
| ACTUAL COMMON SHARES OUTSTANDING AT PERIOD END .......... | 21,509,159 | 18,128,782 |
| CLASS B COMMON STOCK: | | |
| Basic earnings per share ............................... | $ 0.94 | $ 0.72 |
| Diluted earnings per share ............................. | $ 0.77 | $ 0.66 |
| BASIC WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING | 10,649,135 | 10,589,000 |
| DILUTED WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING ............................................ | 11,765,385 | 11,576,500 |
| ACTUAL COMMON SHARES OUTSTANDING AT PERIOD END .......... | 10,690,231 | 10,542,116 |
| Book value per common share (all classes) ............... | $ 6.43 | $ 5.15 |
| Tangible book value per common share (all classes) ....... | $ 5.62 | $ 4.14 |

<CAPTION>

| <S> | AT OR FOR THE YEARS ENDED DECEMBER 31, 1995 <C> | 1994 <C> | 1993 <C> |
|---|---|---|---|
| | (IN THOUSANDS EXCEPT PER SHARE DATA) | | |
| OPERATING RESULTS | | | |
| Total interest income .................................. | $ 130,077 | $ 98,549 | $ 94,503 |
| Total interest expense ................................. | 65,686 | 41,431 | 35,987 |
| Net interest income .................................... | 64,391 | 57,118 | 58,516 |
| Provision for loan losses .............................. | 4,182 | 2,299 | 3,450 |
| Net interest income after provision for loan losses ..... | 60,209 | 54,819 | 55,066 |
| NON-INTEREST INCOME: | | | |
| Loan servicing and other loan fees ...................... | 3,524 | 3,365 | 2,229 |
| Gains on sales of loans available for sale ............. | 395 | 773 | 1,246 |
| Gains on sales of mortgage servicing rights ............ | 2,744 | 484 | 0 |
| Gains on sales of securities available for sale ......... | 0 | 0 | 0 |
| Unrealized and realized gains on trading securities...... | 589 | (558) | 0 |
| Gain (loss) on sales of property and equipment, net...... | 18 | 272 | (73) |
| Other .................................................. | 12,118 | 9,427 | 8,236 |
| Total non-interest income ............................ | 19,388 | 13,763 | 11,638 |
| NON-INTEREST EXPENSE: | | | |
| Employee compensation and benefits ..................... | 25,403 | 22,382 | 19,617 |
| Occupancy and equipment ................................ | 10,831 | 8,061 | 8,417 |
| SAIF special assessment ................................ | 0 | 0 | 0 |
| Federal insurance premium .............................. | 2,750 | 2,673 | 2,750 |
| Advertising and promotion .............................. | 2,144 | 1,495 | 960 |
| Foreclosed asset activity, net ......................... | (3,178) | (2,290) | 1,243 |
| Other .................................................. | 13,210 | 9,764 | 10,546 |
| Total non-interest expense ............................ | 51,160 | 42,085 | 43,533 |
| Income before income taxes .............................. | 28,437 | 26,497 | 23,171 |
| Provision for income taxes .............................. | 10,018 | 9,662 | 7,093 |
| NET INCOME .............................................. | 18,419 | 16,835 | 16,078 |
| Dividend on non-cumulative preferred stock paid by BFC escrow ........................................ | 0 | 0 | 147 |
| Dividends on non-cumulative preferred stock ............ | 677 | 880 | 733 |
| Amount classified as dividends on non-cumulative preferred stock redemption ........................... | 1,353(1) | 0 | 0 |
| Total dividends on non-cumulative preferred stock ................................................ | 2,030 | 880 | 880 |
| Net income available for common shares ............... | $ 16,389 | $ 15,955 | $ 15,198 |
| CLASS A COMMON STOCK (7): | | | |
| Basic earnings per share ............................... | $ N/A | $ N/A | $ N/A |
| Diluted earnings per share ............................. | $ N/A | $ N/A | $ N/A |
| BASIC WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING....... | N/A | N/A | N/A |
| DILUTED WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING ............................................ | N/A | N/A | N/A |
| ACTUAL COMMON SHARES OUTSTANDING AT PERIOD END .......... | N/A | N/A | N/A |
| CLASS B COMMON STOCK: | | | |
| Basic earnings per share ............................... | $ 0.64(1) | $ 0.64 | $ 0.85 |
| Diluted earnings per share ............................. | $ 0.62(1) | $ 0.62 | $ 0.66 |
| BASIC WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING | 25,411,604 | 24,747,116 | 17,861,118 |
| DILUTED WEIGHTED AVERAGE OF COMMON SHARES | | | |

| | | | |
|---|---|---|---|
| OUTSTANDING | 26,441,902 | 25,610,718 | 23,095,707 |
| ACTUAL COMMON SHARES OUTSTANDING AT PERIOD END | 25,861,814 | 24,798,811 | 24,713,916 |
| Book value per common share (all classes) | $ 4.66 | $ 3.92 | $ 3.33 |
| Tangible book value per common share (all classes) | $ 4.22 | $ 3.92 | $ 3.33 |

</TABLE>



SELECTED CONSOLIDATED FINANCIAL DATA (CONTINUED)

<TABLE>
<CAPTION>

| | FOR THE YEARS ENDED DECEMBER 31, | |
|---|---|---|
| | 1997 | 1996 |
| <S> | <C> | <C> |
| OTHER FINANCIAL AND STATISTICAL DATA | | |
| PERFORMANCE RATIOS: | | |
| Return on average assets (2) | 1.01% | 0.94% |
| Return on average equity (2) | 17.43 | 14.08 |
| Cash dividend payout ratio (3) | 9.40 | 11.36 |
| Average equity to average assets | 5.77 | 6.70 |
| Average yield on loans, mortgage-backed securities, tax certificates and investment securities | 8.29 | 8.23 |
| Average cost of deposits and borrowings | 4.88 | 4.47 |
| Net interest spread -- during period (4) | 3.41 | 3.76 |
| Interest rate margin -- during period (4) | 3.75 | 4.08 |
| Efficiency ratio (5) | 59.03 | 66.07 |
| OTHER FINANCIAL DATA: | | |
| Cash dividends per common share Class A (7) | $ 0.094 | $ 0.083 |
| Cash dividends per common share Class B | $ 0.085 | $ 0.073 |
| ASSET QUALITY RATIOS: | | |
| Non-performing assets as a percent of total loans, tax certificates and real estate owned | 1.36% | 1.26% |
| Net charge-offs as a percent of average loans | 0.44 | 0.47 |
| Loan loss allowance as a percent of total loans including banker's acceptances | 1.35 | 1.39 |
| Loan loss allowance as a percent of non-performing loans | 156.18 | 167.37 |
| Non-performing loans as a percent of total loans | 0.87 | 0.83 |
| Non-performing assets as a percent of total assets | 0.96 | 0.93 |
| RATIO OF EARNINGS TO FIXED CHARGES: (6) | | |
| Including interest on deposits | 1.39 | 1.40 |
| Excluding interest on deposits | 1.95 | 2.34 |
| NUMBER OF: | | |
| Offices (all full-service) | 65 | 56 |
| Branches with ATMs | 65 | 56 |
| Non-Branch ATMs | 184 | 164 |
| Deposit accounts | 229,272 | 218,061 |
| Loans | 39,427 | 37,707 |

<CAPTION>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1995 | 1994 | 1993 |
| <S> | <C> | <C> | <C> |
| OTHER FINANCIAL AND STATISTICAL DATA | | | |
| PERFORMANCE RATIOS: | | | |
| Return on average assets (2) | 1.07% | 1.17% | 1.25% |
| Return on average equity (2) | 16.03 | 17.07 | 21.32 |
| Cash dividend payout ratio (3) | 10.62 | 9.87 | 4.86 |
| Average equity to average assets | 6.66 | 6.86 | 5.85 |
| Average yield on loans, mortgage-backed securities, tax certificates and investment securities | 8.16 | 7.45 | 7.95 |
| Average cost of deposits and borrowings | 4.51 | 3.38 | 3.28 |
| Net interest spread -- during period (4) | 3.65 | 4.07 | 4.67 |
| Interest rate margin -- during period (4) | 4.04 | 4.32 | 4.90 |
| Efficiency ratio (5) | 61.07 | 59.37 | 62.03 |
| OTHER FINANCIAL DATA: | | | |
| Cash dividends per common share Class A (7) | $ N/A | $ N/A | $ N/A |
| Cash dividends per common share Class B | $ 0.068 | $ 0.064 | $ 0.032 |
| ASSET QUALITY RATIOS: | | | |
| Non-performing assets as a percent of total loans, tax certificates and real estate owned | 2.37% | 3.66% | 3.34% |
| Net charge-offs as a percent of average loans | 0.45 | 0.59 | 0.56 |
| Loan loss allowance as a percent of total loans including banker's acceptances | 2.24 | 2.89 | 3.38 |
| Loan loss allowance as a percent of non-performing loans | 149.49 | 134.87 | 173.01 |
| Non-performing loans as a percent of total loans | 1.50 | 2.14 | 1.95 |
| Non-performing assets as a percent of total assets | 1.23 | 1.51 | 1.47 |
| RATIO OF EARNINGS TO FIXED CHARGES: (6) | | | |
| Including interest on deposits | 1.43 | 1.63 | 1.63 |
| Excluding interest on deposits | 2.41 | 3.50 | 5.67 |
| NUMBER OF: | | | |
| Offices (all full-service) | 43 | 32 | 31 |
| Branches with ATMs | 43 | 29 | 29 |
| Non-Branch ATMs | 154 | 153 | 0 |

| | | | |
|---|---|---|---|
| Deposit accounts | 120,067 | 110,002 | 113,459 |
| Loans | 23,172 | 15,319 | 19,163 |

</TABLE>

- ----------------

(1) The excess of the redemption price above the recorded amount of preferred stock is considered a preferred stock dividend. The October 1995 preferred stock redemption for the year ended December 31, 1995 resulted in a $0.05 reduction of basic and diluted earnings per share.

(2) ROA and ROE excluding the $7.2 million SAIF one-time special assessment would have been 1.16% and 17.34%, respectively, for the year ended December 31, 1996.

(3) Cash dividends declared on common shares divided by net income available for common shares.The cash dividend payout ratio for the year ended December 31, 1995 excluding the October 1995 preferred stock redemption was 9.81%.

(4) Interest rate spread is equal to total interest earned on interest earning assets divided by average interest earning assets, less the total of interest expense divided by average interest-bearing liabilities. Interest rate margin is equal to total interest earned on average interest earning assets divided by average interest earning assets less the total of interest expense divided by average interest earning assets. Interest rate spread and margin during periods is based upon daily average balances of interest-bearing assets and liabilities.

(5) The efficiency ratio is operating expenses (non-interest expenses) as a percent of net interest income plus non-interest income. Excluding the $7.2 million SAIF one-time special assessment, this ratio for the year ended December 31, 1996 would have been 59.52%.

(6) Represents earnings before fixed charges, income taxes, and extraordinary items and non-cumulative preferred stock dividends and redemption. Fixed charges includes interest expense (inclusive or exclusive of interest on deposits as indicated).

(7) Prior to 1996 there were no Class A common shares outstanding. All shares outstanding in 1995 were Class B common shares.



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

GENERAL

The Company is a unitary savings bank holding company. The Company's primary asset is the capital stock of BankAtlantic, its wholly owned subsidiary. Under applicable law, the Company generally has broad authority with few restrictions to engage in various types of business activities. The Company's primary activities relate to the operations of BankAtlantic and BankAtlantic's subsidiaries. However, the Company recently entered into an agreement to acquire Ryan, Beck & Co., Inc. an investment banking firm. The Company's recent activities also include the ownership of 50% of the voting common stock of FASI, a full-service investment banking and securities brokerage firm. On February 26, 1998 the Company entered into an agreement to acquire Leasing Technology Inc. ("LTI"). LTI is engaged in all facets of leasing and financing. It is anticipated that LTI will operate as a wholly owned subsidiary of BankAtlantic pending regulatory approval. During 1997, the Company, issued in a public offering, 4.3 million shares of Class A common stock and $100.0 million of 5 5/8% Debentures for net proceeds of $43.4 million and $96.5 million, respectively. Also during 1997, BBC Capital Trust I, a Delaware statutory business trust established by the Company, issued in a public offering, $74.75 million of 9 1/2% Cumulative Trust Preferred Securities ("Trust Preferred Securities") for net proceeds of $71.8 million. The Company contributed $161.2 million of the net proceeds from the above offerings to the capital of BankAtlantic and used $12.2 million of the net proceeds to repurchase its common stock. The remaining net proceeds remain available for general corporate purposes, including acquisitions by the Company or BankAtlantic. During 1996, the Company issued $57.5 million of 6 3/4% convertible subordinated debentures ("6 3/4% Debentures") and issued 3.3 million shares of Class A common stock receiving net proceeds of $55.2 million and $18.1 million, respectively. The Company contributed $54.0 million of the net proceeds to the capital of BankAtlantic and $3.3 million of the net proceeds were used to repurchase the Company's common stock. During 1995, the Company issued $21.0 million of 9% subordinated debentures (the "9% Debentures") of which $6.0 million was contributed to the capital of BankAtlantic. Prior to 1997, BankAtlantic's subsidiaries were primarily utilized to dispose of real estate acquired through foreclosure. During the latter part of 1997, BankAtlantic, utilizing capital contributed by the Company, acquired SLWHC and subsidiaries, a developer of the master planned community of SLW located in St. Lucie County, Florida and invested in Jupiter Yacht Club Ltd., joint venture, a real estate development project in Jupiter, Florida. Presently the Company has no significant operations but does require funds to pay certain operating expenses, payments required for the Trust Preferred Securities, interest on the 5 5/8%, 6 3/4% and 9% Debentures and regular quarterly cash dividend payments to its common shareholders. It is anticipated that funds for payment of these items, which currently aggregate approximately $22 million will continue to be obtained from BankAtlantic.

RESULTS OF OPERATIONS

The Company's basic and diluted earnings per share for Class A common stock were $0.98 and $0.78, respectively, for the year ended December 31, 1997, compared to $0.64 and $0.58 for the comparable 1996 period, respectively. There was no Class A common stock outstanding during 1995. The Company's basic and diluted earnings per share on Class B common stock were $0.94 and $0.77 for the year ended December 31, 1997 compared to $0.72 and $0.66 during the 1996 comparable period and $0.64 and $0.62 for the 1995 comparable period, respectively.

In February 1997 the Financial Accounting Standards Board issued statement number 128 ("FAS 128") Earnings Per Share. This statement was effective for periods ending after December 15, 1997 and required the restatement of all prior periods. FAS 128 replaced primary and fully diluted earnings per share with basic and diluted earnings per share. The statement also required the two-class method for companies like the Company with capital structures which includes a class of common stock with different dividends rates from another class of common stock. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and each class of common stock's rights to undistributed earnings.



Net income available for common shares of $27.8 million, $19.0 million, and $16.4 million, was recorded for the years ended December 31, 1997, 1996 and 1995, respectively. Net interest income for 1997 reflects higher average wholesale residential loan balances, increased average balances of advances from FHLB and subordinated debentures, and the October 1996 acquisition of BNA which increased loans, debt securities available for sale and deposits. Net interest income for 1996 includes the October 1996 BNA acquisition and higher wholesale residential loan average balances. Net interest income for 1995 reflects the February 1995 acquisition of MegaBank which increased loans, securities available for sale and deposits by $116.4 million, $18.1 million, and $120.2 million, respectively. Non-interest income during 1997 included $7.9 million of gains on the sales of mortgage servicing rights, $2.4 million of realized gains on sales of securities available for sale, $2.5 million of realized and unrealized gains on trading securities, $852,000 of gains on sales of properties and $6.8 million of gains on the sales of loans available for sale. Non-interest income during 1996 included $4.2 million of gains on the sales of mortgage servicing rights, $6.0 million of realized gains on sales of securities available for sale, $3.1 million of gains on sales of properties leased to others and $534,000 of gains on the sales of loans available for sale. During 1995, non-interest income included gains on sales of mortgage servicing rights, unrealized and realized gains on trading account securities, gains on sales of property and equipment and gains on sales of loans originated for resale of $2.7 million, $589,000, $18,000 and $395,000, respectively. Transaction fee income was $14.6 million during 1997 compared to $12.5 million and $9.0 million during 1996 and 1995, respectively. Non-interest expenses increased for each of the years in the three year period ended December 31, 1997 primarily as a result of the acquisition of MegaBank and BNA during 1995 and 1996, respectively, and the expansion of BankAtlantic's branch network, including Wal-Mart in-store branches, during the three year period ended December 31, 1997. Non-interest expenses during 1996 included a $7.2 million SAIF one-time special assessment. Provision for loan losses increased during 1997 to $11.3 million compared to $5.8 million and $4.2 million for the years ended December 31, 1996 and 1995, respectively. The increase during 1997 compared to the same period during 1996 reflects increased levels of loans generally and higher consumer loan charge-offs. The increase during 1996 compared to 1995 reflects lower loan loss recoveries from the Subject Portfolio and higher consumer loan charge-offs. The 1995 tax provision was reduced by $972,000 due to a reduction in the deferred tax asset valuation allowance. See Note 13 of the Consolidated Financial Statements.

The cumulative one year interest rate gap was a positive 6.55% at December 31, 1997 compared to a positive .42% and a negative 2.49% at December 31, 1996 and 1995, respectively. A positive interest rate sensitivity gap provides the potential for widening interest margins and increased earnings during times of increasing rates. However, a positive gap will correspondingly negatively impact earnings when rates decline. BankAtlantic's net interest margin was 3.75% in 1997 compared to 4.08% and 4.04% for 1996 and 1995, respectively. (See "Asset and Liability Management" and "Interest Rate Sensitivity".)



NET-INTEREST INCOME

A summary of net interest income follows:

<TABLE>
<CAPTION>

| | FOR THE YEARS ENDED DECEMBER 31, | | | 1997 TO 1996 | 1996 TO 1995 |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | CHANGE | CHANGE |
| | | | (IN THOUSANDS) | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Interest and fees on loans .......................... | $ 171,212 | $ 107,922 | $ 72,841 | $ 63,290 | $ 35,081 |
| Interest on banker's acceptances ..................... | 473 | 22 | 0 | 451 | 22 |
| Interest on mortgage-backed securities held to maturity .................................. | 0 | 0 | 37,855 | 0 | (37,855) |
| Interest on securities available for sale ........... | 31,177 | 38,159 | 7,207 | (6,982) | 30,952 |
| Interest and dividends on investment and trading securities ............................. | 7,692 | 6,528 | 12,174 | 1,164 | (5,646) |
| Interest on deposits ................................ | (68,281) | (55,028) | (46,646) | (13,253) | (8,382) |

| | | | | | |
|---|---|---|---|---|---|
| Interest on advances from FHLB ...................... | (27,345) | (9,221) | (7,449) | (18,124) | (1,772) |
| Interest on securities sold under agreements to repurchase and federal funds purchased ............. | (8,023) | (8,764) | (10,815) | 741 | 2,051 |
| Interest on subordinated debentures, note payable and guaranteed preferred beneficial interest in Company's Junior Subordinated Debentures ..................... | (11,542) | (4,018) | (776) | (7,524) | (3,242) |
| Total net interest income .......................... | $ 95,363 | $ 75,600 | $ 64,391 | $ 19,763 | $ 11,209 |

</TABLE>

Net interest income increased for each of the years in the three year period ended December 31, 1997. The increase in interest on loans during 1997 compared to 1996 and 1995 was primarily due to higher average balances, partially offset by lower average yields. The higher loan average balances resulted from the October 1996 BNA acquisition, wholesale residential loan purchases and increased loan originations. The BNA acquisition increased residential, commercial real estate, commercial business, and consumer loans by $221.0 million, $53.6 million, $31.8 million and $88.6 million, respectively, at the acquisition date. During the year ended December 31, 1997, BankAtlantic funded $800.5 million of loans compared to $749.6 million and $638.6 million during 1996 and 1995, respectively. Also, during the year ended December 31, 1997, BankAtlantic purchased $524.5 million of wholesale residential loans compared to $465.9 million and $9.9 million during 1996 and 1995, respectively. As a result, BankAtlantic's average loan balances increased from $750.1 million during the year ended December 31, 1995 to $1.2 billion and $1.9 billion during the comparable periods during 1996 and 1997, respectively. The lower loan portfolio average yields for each of the years in the three year period ended December 31, 1997 resulted from a change in the mix of the loan portfolio from higher yielding commercial and consumer loans to lower yielding residential loans and a decline in consumer and residential loan yields based on current market conditions. The decrease in consumer loan yields for each of the years in the three year period ended December 31, 1997 resulted from the origination of loans at lower rates than the existing portfolio and the acquisition of the BNA loan portfolio. The decline in residential loan yields during 1997 compared to 1996 resulted from originating loans at lower rates than the existing portfolio due to a declining interest rate environment during 1997.

In December 1995, all mortgage-backed and investment securities, excluding tax certificates classified as held to maturity, were reclassified as available for sale. During 1996 and 1997 there were no mortgage-backed securities classified as held to maturity. Total mortgage-backed and investment securities interest income declined for each of the years in the three year period ended December 31, 1997 due to lower average balances and yields. Total mortgage-backed and investment securities average balances declined from $844.8 million during the year ended December 31, 1995 to $677.4 million and $591.9 million during the years ended December 31, 1996 and 1997, respectively, and average yields on total mortgage-backed and investment securities declined from 6.78% during the year ended December 31, 1995 to 6.60% and 6.57% for the comparable 1996 and 1997 periods, respectively. During the year ended December 31, 1997, BankAtlantic sold $355.5 million of mortgage-backed and investment securities and additionally collected $189.0 million of principal repayments compared to sales of $368.5 million and $852,000 during 1996 and 1995, respectively, and principal repayments of $227.0 million and $262.9 million during 1996 and 1995, respectively. The sales and principal repayments were partially offset by total mortgage-backed and investment securities purchases of $712.8 million,



$288.6 million and $146.1 million during the years ended December 31, 1997, 1996 and 1995, respectively. The lower yields earned on total mortgage-backed and investment securities reflect the prepayment of higher yielding securities and the declining interest rate environment throughout 1996 and 1997.

The increase in interest expense on deposits for each year in the three year period ended December 31, 1997 resulted from higher deposit average balances and higher rates paid on deposits. The increased deposit average balances primarily resulted from $469.1 million of deposits acquired in connection with the acquisition of BNA in 1996 and the $120.2 million of deposits acquired in the 1995 MegaBank acquisition. Average interest bearing deposits increased from $1.1 billion during the year ended December 31, 1995 to $1.3 billion and $1.6 billion during 1996 and 1997, respectively. Deposit rates increased from 4.10% during 1995 to 4.11% and 4.19% during 1996 and 1997, respectively. The higher deposit average rates during 1997 were generally caused by higher rates paid on transaction accounts compared to 1996 rates. Interest rates on transaction accounts increased from 2.40% during 1996 to 2.73% during 1997. The increased interest rates reflect an increase in competition for deposits in the South Florida market, resulting in new savings products which pay higher rates based on account balances. Deposit rates during 1996 were lower on transaction accounts and higher on certificate accounts compared to 1995. During 1996, the interest rate environment enabled BankAtlantic to lower transaction account rates, whereas due to competition, certificate account rates were higher. During 1997, certificate account rates declined due to lower rates paid in 1997 and run-off of a portion of the higher rate BNA certificate accounts.

The increased interest expense on advances from FHLB during 1997 and 1996 was primarily due to higher average balances and secondarily to higher rates. During 1997 and 1996, BankAtlantic used FHLB advances with expected terms of one to six years to finance the purchase of wholesale residential loans. During 1995, FHLB advances had maturities of less than one year. As a result of wholesale residential loan growth, advances from FHLB average balances increased from $125.2 million during the year ended December 31, 1995 to $152.1 million and $441.6 million during the comparable periods during 1996 and 1997, respectively. Average rates paid on FHLB advances increased from 5.95% during the year ended December 31, 1995 to 6.04% and 6.19% during 1996 and 1997, respectively as a result of the use of longer term borrowings.

The lower interest expense on securities sold under agreements to repurchase during the year ended December 31, 1997 compared to 1996 resulted from lower average balances, partially offset by higher borrowing rates during 1997. The lower average balances in 1997 of securities sold under agreements to repurchase compared to 1996 resulted from the availability of funds provided by the issuance of debt and equity securities. The majority of the net proceeds of $71.8 million from the April 1997 Trust Preferred Securities offering, $43.4 million from the November 1997 Class A common stock offering, and $96.5 million from the 5 5/8% Debentures offering were used to pay down short term borrowings during 1997. The lower average balances in 1996 of securities sold under agreements to repurchase compared to 1995 resulted from the availability of funds provided by the July 1996 $57.5 million offering of the 6 3/4% Debentures and $18.1 million of proceeds from the March 1996 Class A common stock offering.

Interest on subordinated debentures during 1997 relates to interest on the 5 5/8% Debentures, 6 3/4% Debentures, $21.0 million of 9 % Debentures. Interest on subordinated debentures during 1996 and 1995 relates to interest on the 9% Debentures and the 6 3/4% Debentures. Guaranteed beneficial interest in the Company's Junior Subordinated Debentures during 1997 relates to payments made on the 9 1/2% Trust Preferred Securities which were issued in a public offering in April 1997.



YIELDS EARNED AND RATES PAID

<TABLE>
<CAPTION>

| | FOR THE YEARS ENDED | | | | | |
|---|---|---|---|---|---|---|
| | DECEMBER 31, 1997 | | | DECEMBER 31, 1996 | | |
| | AVERAGE BALANCE | REVENUE/ EXPENSE | YIELD/ RATE | AVERAGE BALANCE | REVENUE/ EXPENSE | YIELD/ RATE |
| | (DOLLARS IN THOUSANDS) | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| INTEREST EARNING ASSETS | | | | | | |
| Loans: (A) | | | | | | |
| Residential real estate ............... | $ 397,240 | 32,177 | 8.10% | $ 279,520 | 23,142 | 8.28% |
| Purchased residential real estate ...... | 589,888 | 45,440 | 7.70 | 147,452 | 10,435 | 7.08 |
| Commercial real estate ................ | 544,264 | 53,943 | 9.91 | 442,204 | 43,700 | 9.88 |
| Consumer .............................. | 338,568 | 32,751 | 9.84 | 242,876 | 24,285 | 10.00 |
| Commercial business ................... | 70,100 | 6,901 | 9.67 | 65,273 | 6,360 | 9.74 |
| Total loans ........................... | 1,940,060 | 171,212 | 8.83 | 1,177,325 | 107,922 | 9.17 |
| Banker's acceptances .................. | 7,966 | 473 | 5.94 | 329 | 22 | 6.69 |
| Mortgage-backed securities held to maturity ............................ | 0 | 0 | 0.00 | 0 | 0 | 0.00 |
| Securities available for sale (B) ...... | 506,568 | 31,177 | 6.15 | 605,766 | 38,159 | 6.30 |
| Investment securities (C) ............. | 83,898 | 7,604 | 9.06 | 68,996 | 6,419 | 9.30 |
| Federal funds sold .................... | 1,401 | 88 | 6.28 | 2,670 | 109 | 4.08 |
| Total mortgage-backed and investment securities ............... | 591,867 | 38,869 | 6.57 | 677,432 | 44,687 | 6.60 |
| Total interest earning assets ........ | 2,539,893 | 210,554 | 8.29% | 1,855,086 | 152,631 | 8.23% |
| NON-INTEREST EARNING ASSETS | | | | | | |
| Total non-interest earning assets .............................. | 219,359 | | | 160,588 | | |
| Total assets ........................ | $2,759,252 | | | $2,015,674 | | |
| INTEREST BEARING LIABILITIES | | | | | | |
| Deposits: | | | | | | |
| Savings ............................... | $ 220,821 | 6,617 | 3.00% | $ 118,306 | 2,150 | 1.81% |
| NOW, money funds and checking.......... | 534,428 | 14,020 | 2.62 | 478,127 | 12,154 | 2.54 |
| Certificate accounts .................. | 875,625 | 47,644 | 5.44 | 738,254 | 40,724 | 5.50 |
| Total interest bearing deposits ........ | 1,630,874 | 68,281 | 4.19 | 1,334,687 | 55,028 | 4.11 |
| Securities sold under agreements to repurchase and federal funds purchased ............................ | 152,564 | 8,023 | 5.26 | 180,661 | 8,764 | 4.84 |
| Advances from FHLB .................... | 441,610 | 27,345 | 6.19 | 152,138 | 9,221 | 6.04 |
| Subordinated debentures ............... | 86,811 | 6,744 | 7.77 | 49,750 | 4,018 | 8.05 |
| Guaranteed preferred beneficial interest in Company's Junior Subordinated Debentures .............. | 50,041 | 4,798 | 9.59 | 0 | 0 | 0.00 |
| Total interest bearing liabilities..... | 2,361,900 | 115,191 | 4.88 | 1,717,236 | 77,031 | 4.47 |
| NON-INTEREST BEARING LIABILITIES | | | | | | |
| Demand deposit and escrow accounts ............................. | 203,727 | | | 148,054 | | |
| Other liabilities ..................... | 34,345 | | | 15,396 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total non-interest bearing liabilities ......................... | 238,072 | | | 163,450 | | |
| Stockholders' equity................... | 159,280 | | | 134,988 | | |
| Total liabilities and stockholders' equity ............................... | $2,759,252 | | | $2,015,674 | | |
| Net interest income/net interest spread ............................... | | $ 95,363 | 3.41% | | $ 75,600 | 3.76% |
| MARGIN | | | | | | |
| Interest income/interest earning assets ............................... | | | 8.29% | | | 8.23% |
| Interest expense/interest earnings assets ............................... | | | 4.54 | | | 4.15 |
| Net interest margin ................... | | | 3.75% | | | 4.08% |

<CAPTION>

| | FOR THE YEARS ENDED DECEMBER 31, 1995 | | |
|---|---|---|---|
| | AVERAGE BALANCE | REVENUE/ EXPENSE | YIELD/ RATE |
| | (DOLLARS IN THOUSANDS) | | |
| <S> | <C> | <C> | <C> |
| INTEREST EARNING ASSETS | | | |
| Loans: (A) | | | |
| Residential real estate ................ | $ 136,124 | $ 11,561 | 8.49% |
| Purchased residential real estate ...... | 0 | 0 | 0.00% |
| Commercial real estate ................ | 363,151 | 36,030 | 9.92% |
| Consumer ............................... | 192,409 | 19,636 | 10.21 |
| Commercial business .................... | 58,374 | 5,614 | 9.62 |
| Total loans ............................ | 750,058 | 72,841 | 9.71 |
| Banker's acceptances .................. | 0 | 0 | 0.00 |
| Mortgage-backed securities held to maturity ............................. | 573,995 | 37,855 | 6.59 |
| Securities available for sale (B) ...... | 89,757 | 7,207 | 8.03 |
| Investment securities (C) ............. | 178,449 | 12,019 | 6.74 |
| Federal funds sold ..................... | 2,571 | 155 | 6.03 |
| Total mortgage-backed and investment securities ............... | 844,772 | 57,236 | 6.78 |
| Total interest earning assets ........ | 1,594,830 | 130,077 | 8.16% |
| NON-INTEREST EARNING ASSETS | | | |
| Total non-interest earning assets ............................. | 130,008 | | |
| Total assets ........................ | $1,724,838 | | |
| INTEREST BEARING LIABILITIES | | | |
| Deposits: | | | |
| Savings ............................... | $ 109,068 | $ 1,987 | 1.82% |
| NOW, money funds and checking........... | 421,135 | 11,591 | 2.75 |
| Certificate accounts .................. | 607,300 | 33,068 | 5.45 |
| Total interest bearing deposits ........ | 1,137,503 | 46,646 | 4.10 |
| Securities sold under agreements to repurchase and federal funds purchased ............................ | 186,592 | 10,815 | 5.80 |
| Advances from FHLB ..................... | 125,246 | 7,449 | 5.95 |
| Subordinated debentures ................ | 7,303 | 776 | 10.63 |
| Guaranteed preferred beneficial interest in Company's Junior Subordinated Debentures .............. | 0 | 0 | 0.00 |
| Total interest bearing liabilities..... | 1,456,644 | 65,686 | 4.51 |
| NON-INTEREST BEARING LIABILITIES | | | |
| Demand deposit and escrow accounts ............................. | 135,027 | | |
| Other liabilities ..................... | 18,278 | | |
| Total non-interest bearing liabilities ......................... | 153,305 | | |
| Stockholders' equity................... | 114,889 | | |
| Total liabilities and stockholders' equity ............................... | $1,724,838 | | |
| Net interest income/net interest spread ............................... | | $ 64,391 | 3.65% |

| | |
|---|---|
| MARGIN | |
| Interest income/interest earning assets | 8.16% |
| Interest expense/interest earnings assets | 4.12 |
| Net interest margin | 4.04% |

</TABLE>

- ----------------
(A) Includes non-accruing loans.
(B) Average balances were based on amortized cost.
(C) Includes securities purchased under agreements to resell, tax certificates and interest-bearing deposits.



RATE/VOLUME ANALYSIS

<TABLE>
<CAPTION>

| | YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996 | | | YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995 | | |
|---|---|---|---|---|---|---|
| | VOLUME (A) | RATE | TOTAL | VOLUME (A) | RATE | TOTAL |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| INCREASE (DECREASE) DUE TO: | | | | | | |
| Loans | $ 67,351 | $ (4,061) | $ 63,290 | $ 39,131 | $ (4,050) | $ 35,081 |
| Banker's acceptances | 453 | (2) | 451 | 22 | 0 | 22 |
| Mortgage-backed securities | 0 | 0 | 0 | (37,855) | 0 | (37,855) |
| Securities available for sale | (6,101) | (881) | (6,982) | 32,505 | (1,553) | 30,952 |
| Investment securities | 1,348 | (163) | 1,185 | (6,778) | 1,178 | (5,600) |
| Federal funds sold | (80) | 59 | (21) | 4 | (50) | (46) |
| Total earnings assets | 62,971 | (5,048) | 57,923 | 27,029 | (4,475) | 22,554 |
| DEPOSITS: | | | | | | |
| Savings | 3,063 | 1,404 | 4,467 | 174 | (11) | 163 |
| NOW, money funds, and checking | 1,467 | 399 | 1,866 | 1,405 | (842) | 563 |
| Certificate accounts | 7,355 | (435) | 6,920 | 7,352 | 304 | 7,656 |
| Total deposits | 11,885 | 1,368 | 13,253 | 8,931 | (549) | 8,382 |
| Securities sold under agreements to repurchase | (1,498) | 757 | (741) | (297) | (1,754) | (2,051) |
| Advances from FHLB | 17,893 | 231 | 18,124 | 1,659 | 113 | 1,772 |
| Subordinated debentures | 2,866 | (140) | 2,726 | 3,323 | (81) | 3,242 |
| Guaranteed preferred beneficial interest in Company's Junior Subordinated Debentures | 4,798 | 0 | 4,798 | 0 | 0 | 0 |
| | 24,059 | 848 | 24,907 | 4,685 | (1,722) | 2,963 |
| Total interest bearing liabilities | 35,944 | 2,216 | 38,160 | 13,616 | (2,271) | 11,345 |
| Change in net interest income | $ 27,027 | $ (7,264) | $ 19,763 | $ 13,413 | $ (2,204) | $ 11,209 |

</TABLE>

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

PROVISION FOR LOAN LOSSES AND PROVISION FOR (REVERSAL OF) LOSSES ON REAL ESTATE OWNED

During the years ended December 31, 1997, 1996 and 1995, the provision for loan losses was $11.3 million, $5.8 million, and $4.2 million, respectively. The provision in each of these years was substantially impacted by larger consumer loan balances. Consumer loan net charge-offs amounted to $8.4 million, $4.7 million, and $3.3 million in 1997, 1996 and 1995, respectively. The increase in consumer loan net charge-offs resulted primarily from indirect consumer loan originations and the performance of the indirect consumer loan portfolios acquired in connection with the MegaBank and BNA acquisitions in 1995 and 1996, respectively. As a result of originations and acquisitions, the indirect consumer loan portfolio increased from $96.0 million at December 31, 1995 to $172.1 million and $204.7 million at December 31, 1996 and 1997, respectively. During 1997 specific reserves increased $792,000 primarily related to real estate construction loans acquired in connection with the BNA acquisition. The remaining increase in the 1997 allowance for loan losses resulted from higher aggregate loan balances and delinquency trends. The 1996 provision reflects $530,000 of net commercial business loan charge-offs compared to a recovery of $121,000 and $356,000 during 1997 and 1995, respectively. The 1996 net commercial business loan charge-offs primarily reflect charge-offs of $478,000 and $450,000 relating to unsecured loans acquired in connection with the BNA and MegaBank acquisitions, respectively. The 1996 charge-offs were partially offset by $518,000 of commercial business loan recoveries relating to loans charged-off in prior periods. The allowance for loan losses increased by $2.7

million and $6.8 million during 1997 and 1996, respectively. The increase in the 1996 allowance for loan losses primarily resulted from the $6.4 million allowance for loan losses acquired in connection with the BNA acquisition. The remaining increase in the 1996 loan loss allowance resulted from additional provisions due to higher aggregate loan balances.

BankAtlantic's "risk elements" consist of restructured loans and "non-performing" assets. The classification of loans as "non-performing" is generally based upon non-compliance with loan performance and collateral coverage standards, as well as management's assessment of problems related to the borrower's or guarantor's financial condition. BankAtlantic generally designates any loan that is 90 days or more delinquent as non-performing. BankAtlantic may also designate loans as non-performing prior to the loan becoming 90 days delinquent if the borrower's ability to repay is questionable. A "non-performing" classification alone does not indicate an inherent principal loss; however, it generally indicates that management does not expect the asset to earn a market rate of return in the current period. Restructured loans are loans for which BankAtlantic has modified the loan terms due to the financial difficulties of the borrower. At December 31, 1997 restructured loans were $4.0 million compared to $3.7 million and $2.5 million at December 31, 1996 and 1995, respectively. Non-performing assets, net of write downs and allowances, were $29.5 million at December 31, 1997 compared to $24.1 million and $21.5 million at December 31, 1996 and 1995, respectively.

Management considers a loan to be impaired when, based upon current information and events, it believes it is probable that BankAtlantic will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans collectively reviewed by BankAtlantic for impairment include residential and consumer loans and performing commercial real estate and business loans under $500,000, excluding loans which are individually reviewed based on specific criteria, such as delinquency and condition of collateral property.

Risk elements, net of write-downs and dispositions, increased by $5.7 million in 1997 to $33.6 million at December 31, 1997 and increased in 1996 by $3.8 million to $27.8 million at December 31, 1996. The increase in risk elements from 1996 to 1997 primarily resulted from increases in nonaccrual assets, repossessed assets, and restructured loans of $4.2 million, $3.5 million and $325,000, respectively. The above increases were partially offset by a $2.3 million decrease in loans contractually past due 90 days or more and still accruing. The increase in nonaccrual loans was primarily due to higher residential and consumer loan nonaccrual balances, partially offset by lower tax certificate nonaccrual balances. Nonaccrual residential loans were $8.0 million at December 31, 1997 compared to $6.5 million in 1996. The increase was primarily due to higher residential loan balances in 1997 compared to 1996. The higher residential loan nonaccrual balances resulted from the growth in the residential loan portfolio from $179.7 million at December 31, 1995 to $973.3 million at December 31, 1997. Nonaccrual consumer loans were $5.2 million at December 31, 1997 compared to $2.1 million in 1996. Non-accrual direct consumer loans, indirect consumer loans, and indirect consumer loans acquired in connection with the BNA and MegaBank acquisitions increased by $1.0 million, $1.7 million and $367,000, respectively at December 31, 1997 compared to 1996. The nonaccrual direct consumer loans were primarily home equity loans, and the nonaccrual indirect loans were primarily automobile loans. The higher nonaccrual consumer loan balances resulted from the growth of the consumer loan portfolio from $123.9 million at December 31, 1994 to $334.5 million at December 31, 1997. The increase in repossessed assets resulted from $3.1 million and $920,000 of higher residential real estate owned and consumer repossessed asset, respectively, partially offset by $467,000 of lower commercial real estate owned. The increase in repossessed assets resulted from higher loan balances mentioned above. The $955,000 decline in nonaccrual tax certificates reflects the current aging of the tax certificates in the portfolio. Loans contractually past due 90 days or more have matured and are in the process of renewing or extending their terms while the borrower continues to make payments under the matured loan agreement. The increase in risk elements during 1996 compared to 1995 resulted from a $2.6 million increase in non-performing assets and a $1.2 million increase in restructured loans. The restructured loan increase primarily related to a $1.0 million non-residential loan classified as non-accruing at December 31, 1995. The increase in non-performing assets from 1995 to 1996 resulted from a $1.5 million increase in consumer repossessed assets, and a $517,000 increase in residential real estate owned, partially offset by



a $1.9 million reduction in commercial real estate owned. The increase in consumer and residential repossessed assets was primarily the result of the BNA acquisition. The 1996 decline in commercial real estate owned reflects the sale of $4.4 million of commercial real estate owned partially offset by a $197,000 net reversal of allowance for losses on real estate owned, $1.0 million of REO acquired from BNA, and transfers of $1.8 million of nonaccrual loans to real estate owned. Non-accrual residential and consumer loans increased by $4.2 million and $1.5 million, whereas non-accrual commercial loans and tax certificates declined by $4.5 million and $209,000, respectively. The increase in non-accrual residential loans resulted from higher loan balances.

The loan loss allowance as a percent of total loans was 2.24% at December 31, 1995, 1.39% at December 31, 1996 and 1.47% at December 31, 1997 excluding banker's acceptances. At December 31, 1997 gross real estate loans amounted to $1.7 billion of which $973.3 million were residential real estate loans. The remaining real estate loans consisted of $396.4 million of commercial real estate loans, and $326.0 million of construction and development loans at December 31, 1997, respectively. Gross other loans, excluding banker's acceptances, amounted to $402.4 million and included commercial business loans (including international loans) and consumer loans (including second mortgages) of $67.9 million ($12.3 million) and $334.5 million, respectively, at December 31, 1997. Commercial real estate, commercial business and consumer loans generally involve greater risks of collectability than residential loans; however, management does not believe that such risks have been greater than normal industry experience for these types of loans except for the Subject Portfolio discussed under "Financial Condition." International loans of $12.3 million at December 31, 1997 were short term lines of credit to financial institutions in Latin America.

During the year ended December 31, 1997, management reversed $56,000 of the REO allowance and charged off $244,000 of residential REO. During the year ended December 31, 1996, management reversed $197,000 from the allowance for real estate owned. Real estate owned charge-offs during the year ended December 31, 1996 were $803,000 primarily relating to three REO properties. Two of the properties were sold during 1996. During the year ended December 31, 1995, BankAtlantic's provision for real estate owned included a recovery of $1.2 million and charge-offs totaling $213,000. The allowance for REO is established by management based on its evaluation of foreclosed properties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



<TABLE>
<CAPTION>

| | RISK ELEMENTS | | | | |
|---|---|---|---|---|---|
| | DECEMBER 31, | | | | |
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| | (DOLLARS IN THOUSANDS) | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| CONTRACTUALLY PAST DUE 90 DAYS OR MORE | | | | | |
| Commercial real estate and business (1) | $ 647 | $ 2,961 | $ 1,536 | $ 736 | $ 2,580 |
| NON-ACCRUAL | | | | | |
| Residential | 5,573 | 4,679 | 2,228 | 1,718 | 2,468 |
| Purchased residential | 2,453 | 1,798 | 0 | 0 | 0 |
| Commercial real estate and business | 4,377 | 3,868 | 8,361 | 9,325 | 3,802 |
| Consumer | 5,166 | 2,079 | 585 | 270 | 976 |
| Tax certificates (2) | 880 | 1,835 | 2,044 | 3,578 | 0 |
| | 18,449 | 14,259 | 13,218 | 14,891 | 7,246 |
| REPOSSESSED (3) | | | | | |
| Residential real estate owned | 3,825 | 748 | 231 | 303 | 319 |
| Commercial real estate owned | 3,703 | 4,170 | 6,048 | 6,935 | 9,332 |
| Consumer | 2,912 | 1,992 | 461 | 350 | 512 |
| | 10,440 | 6,910 | 6,740 | 7,588 | 10,163 |
| Total non-performing assets | 29,536 | 24,130 | 21,494 | 23,215 | 19,989 |
| RESTRUCTURED LOANS | | | | | |
| Commercial real estate and business | 4,043 | 3,718 | 2,533 | 1,648 | 2,647 |
| Total risk elements | $ 33,579 | $ 27,848 | $ 24,027 | $ 24,863 | $ 22,636 |
| Total risk elements as a percentage of: | | | | | |
| Total assets | 1.10% | 1.07% | 1.37% | 1.61% | 1.67% |
| Loans, tax certificates and net real estate owned | 1.55% | 1.46% | 2.65% | 3.92% | 3.78% |
| Total Assets | $3,064,480 | $2,605,527 | $1,750,689 | $1,539,653 | $1,359,195 |
| Total loans, tax certificates and net real estate owned | $2,164,965 | $1,911,501 | $ 905,413 | $ 634,001 | $ 599,504 |
| Allowance for loan losses | $ 28,450 | $ 25,750 | $ 19,000 | $ 16,250 | $ 17,000 |
| Total tax certificates | $ 56,162 | $ 55,977 | $ 51,504 | $ 64,117 | $ 86,897 |
| Allowance for tax certificate losses | $ 949 | $ 1,466 | $ 1,648 | $ 2,985 | $ 2,970 |

</TABLE>

- ---------------
(1) The majority of these loans have matured and the borrower continues to make payments under the matured loan agreement. BankAtlantic is in the process of renewing or extending these matured loans.
(2) Classification results from a change in methodology for classifying tax certificates and calculating related allowance from the methodology used in 1993.
(3) Amounts are net of allowances for losses.

Interest income which would have been recorded under the contractual terms of impaired loans and the interest income actually recognized was (in thousands):

<TABLE>
<CAPTION>

| <S> | 1997 <C> | 1996 <C> | 1995 <C> |
|---|---|---|---|
| Interest income which would have been recorded .......... | $ 2,487 | $1,795 | $1,662 |
| Interest income recognized .............................. | (1,548) | (988) | (788) |
| Interest income forgone ................................. | $ 939 | $ 807 | $ 874 |

</TABLE>

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

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | | | |
|---|---|---|---|---|---|
| <S> | 1997 <C> | 1996 <C> | 1995 <C> | 1994 <C> | 1993 <C> |
| Balance, beginning of period ......................... | $ 25,750 | $ 19,000 | $ 16,250 | $ 17,000 | $ 16,500 |
| Charge-offs: | | | | | |
| Commercial business loans ........................... | (180) | (1,048) | (382) | (1,647) | (835) |
| Commercial real estate loans ........................ | (276) | (266) | (222) | (220) | 0 |
| Consumer loans ...................................... | (10,694) | (6,337) | (4,566) | (3,829) | (4,322) |
| Residential real estate loans ....................... | (76) | (67) | (263) | (272) | (302) |
| Purchased residential real estate loans ............. | (104) | 0 | 0 | 0 | 0 |
| | (11,330) | (7,718) | (5,433) | (5,968) | (5,459) |
| Recoveries: | | | | | |
| Commercial business loans ........................... | 301 | 518 | 738 | 565 | 262 |
| Commercial real estate loans ........................ | 208 | 47 | 102 | 18 | 6 |
| Consumer loans ...................................... | 2,253 | 1,659 | 1,219 | 2,336 | 2,231 |
| Residential real estate loans ....................... | 0 | 0 | 0 | 0 | 10 |
| | 2,762 | 2,224 | 2,059 | 2,919 | 2,509 |
| Net charge-offs ..................................... | (8,568) | (5,494) | (3,374) | (3,049) | (2,950) |
| Additions charged to operations ..................... | 11,268 | 5,844 | 4,182 | 2,299 | 3,450 |
| Allowance for loan losses acquired .................. | 0 | 6,400 | 1,942 | 0 | 0 |
| Balance, end of period .............................. | $ 28,450 | $ 25,750 | $ 19,000 | $ 16,250 | $ 17,000 |
| Allowance as a percentage of: | | | | | |
| Total loans ....................................... | 1.35% | 1.39% | 2.24% | 2.89% | 2.77% |
| Total loans excluding banker's acceptances ......... | 1.47 | 1.39 | 2.24 | 2.89 | 3.38 |
| Non-performing assets (1) ........................... | 99.28% | 115.50% | 97.69% | 82.75% | 85.05% |
| Ratio of net charge-offs to average outstanding loans ............................................... | 0.44% | 0.47% | 0.45% | 0.59% | 0.56% |
| Ratio of net charge-offs to average outstanding loans plus banker's acceptances .................... | 0.44% | 0.47% | 0.45% | 0.57% | 0.55% |

</TABLE>

- ----------------

(1) Excluding tax certificates. The allowance for tax certificates as a percentage of total tax certificates was 1.69%, 2.62%, 3.20%, 4.66%, and 3.47%, for each of the years in the five-year period ended December 31, 1997, and as a percentage of non-performing tax certificates was 107.84%, 79.89% 80.63% and 83.43% at December 31, 1997, 1996, 1995 and 1994, respectively.



The table below presents (dollars in thousands) an allocation of the allowance for loan losses among various loan classifications and sets forth the percentage of loans in each category to gross loans excluding banker's acceptances. The allowance shown in the table should not be interpreted as an indication that charge-offs in future periods will occur in these amounts or proportions or that the allowance indicates future charge-off amounts or trends.

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | | DECEMBER 31, 1996 | | DECEMBER 31, 1995 | |
|---|---|---|---|---|---|---|
| | ALLOCATION OF ALLOWANCE FOR LOAN LOSS BY CATEGORY | PERCENT OF GROSS LOANS IN EACH CATEGORY TO TOTAL GROSS LOANS | ALLOCATION OF ALLOWANCE FOR LOAN LOSS BY CATEGORY | PERCENT OF GROSS LOANS IN EACH CATEGORY TO TOTAL GROSS LOANS | ALLOCATION OF ALLOWANCE FOR LOAN LOSS BY CATEGORY | PERCENT OF GROSS LOANS IN EACH CATEGORY TO TOTAL GROSS LOANS |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |

| | | | | | | |
|---|---|---|---|---|---|---|
| Commercial business | $ 1,941 | 3.23% | $ 4,439 | 3.83% | $ 3,042 | 6.84% |
| Commercial real estate | 9,559 | 34.43 | 6,673 | 35.75 | 7,607 | 50.35 |
| Residential real estate | 1,511 | 9.55 | 3,719 | 22.50 | 1,243 | 19.14 |
| Purchased residential real estate | 926 | 36.84 | 146 | 21.02 | 0 | 0.00 |
| Consumer (1) | 14,513 | 15.95 | 10,773 | 16.90 | 7,108 | 23.67 |
| | $28,450 | 100.00% | $25,750 | 100.00% | $19,000 | 100.00% |

</TABLE>

<TABLE>
<CAPTION>

| | DECEMBER 31, 1994 | | DECEMBER 31, 1993 | |
|---|---|---|---|---|
| | ALLOCATION OF ALLOWANCE FOR LOAN LOSS BY CATEGORY | PERCENT OF GROSS LOANS IN EACH CATEGORY TO TOTAL GROSS LOANS | ALLOCATION OF ALLOWANCE FOR LOAN LOSS BY CATEGORY | PERCENT OF GROSS LOANS IN EACH CATEGORY TO TOTAL GROSS LOANS |
| <S> | <C> | <C> | <C> | <C> |
| Commercial business | $ 1,535 | 4.00% | $ 2,586 | 5.48% |
| Commercial real estate | 10,357 | 56.94 | 7,213 | 40.95 |
| Residential real estate | 860 | 18.88 | 902 | 26.25 |
| Purchased residential real estate | 0 | 0.00 | 0 | 0.00 |
| Consumer (1) | 3,498 | 20.18 | 6,299 | 27.32 |
| | $16,250 | 100.00% | $17,000 | 100.00% |

</TABLE>

- ----------------
(1) Includes second mortgage loans.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



NON-INTEREST INCOME

A summary of non-interest income follows:

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | | 1997 TO 1996 CHANGE | 1996 TO 1995 CHANGE |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | | |
| | (IN THOUSANDS) | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Loan servicing and other loan fees | $ 4,640 | $ 4,216 | $ 3,524 | $ 424 | $ 692 |
| Gains on sales of loans available for sale | 6,802 | 534 | 395 | 6,268 | 139 |
| Gains on trading securities, unrealized and realized | 2,463 | 0 | 589 | 2,463 | (589) |
| Gains on sales of securities available for sale | 2,367 | 5,959 | 0 | (3,592) | 5,959 |
| Gains on sales of property and equipment, net | 852 | 3,061 | 18 | (2,209) | 3,043 |
| Gains on sales of mortgage servicing rights | 7,905 | 4,182 | 2,744 | 3,723 | 1,438 |
| Transaction fees | 9,302 | 8,600 | 6,963 | 702 | 1,637 |
| ATM fees | 5,329 | 3,944 | 2,033 | 1,385 | 1,911 |
| Other | 3,699 | 3,241 | 3,122 | 458 | 119 |
| Total non-interest income | $43,359 | $33,737 | $19,388 | $ 9,622 | $14,349 |

</TABLE>

For a discussion relating to gains on sales of securities available for sale and unrealized and realized gains on trading securities, see "Mortgage-Backed Securities and Investments."

Loan servicing and other loan fees increased during each of the years in the three year period ended December 31, 1997. The increase for the year ended December 31, 1997 compared to the same period during 1996 resulted from higher loan and late fee income, partially offset by lower loan servicing income. Late fee income increased from $1.4 million for the year ended December 31, 1996 to $1.9 million during the comparable 1997 period. Loan fee income was $1.4 million during 1996 compared to $1.5 million during 1997. The increase in loan and late fees reflects higher loan balances during 1997 compared to the 1996 period. The decline in mortgage servicing fees resulted from higher mortgage servicing rights amortization due to greater prepayments of mortgage loans caused by decreased interest rates during the period. The increase in loan servicing and other loan fees for the year ended December 31, 1996 compared to the same period during 1995 resulted from higher loan and late fee income.

During the year ended December 31, 1997, BankAtlantic transferred $321.4 million of residential loans to available for sale and sold $273.9 million of loans for gains as reported in the above table. BankAtlantic periodically sells loans in order to manage the interest rate risk of the overall loan portfolio. During 1996 and 1995 BankAtlantic sold $59.4 million and $34.2 million of primarily fixed rate loans originated for resale for gains shown on the above table.

During the years ended December 31, 1997, 1996 and 1995, BankAtlantic sold mortgage servicing rights with a book value of $25.5 million, $20.9 million, and $5.6 million, respectively, for gains as reported in the above table. These rights related to approximately $2.0 billion, $1.4 billion, and $492.1 million of loans serviced for others during 1997, 1996 and 1995, respectively. At December 31, 1997, 1996 and 1995, BankAtlantic serviced loans for the benefit of others amounting to approximately $2.9 billion, $2.7 billion, and $1.8 billion, respectively. BankAtlantic periodically sells mortgage servicing rights based on the composition of the servicing portfolio and market conditions.

During the year ended December 31, 1996, BankAtlantic sold properties leased to others with a book value of $5.0 million for gains as reported in the above table. During 1997 land adjacent to the above properties with a book value of $197,000 was sold for a net gain of $882,000.

The higher transaction fee income during 1997 and 1996 reflects an increase in transaction account balances primarily obtained in connection with acquisitions and higher average non-interest bearing deposits. Average non-interest bearing deposits and escrows were $203.7 million during the year ended December 31, 1997 compared to $148.1 million and $135.0 million during 1996 and 1995, respectively. In



April 1996, BankAtlantic's ATM network initiated surcharge fees for non-customers. The significant increase in ATM fee income during 1997 and 1996 was primarily the result of this surcharge. Also during 1997, BankAtlantic increased its ATM network from 220 machines at December 31, 1996 to 249 machines on December 31, 1997. BankAtlantic established its ATM network to enhance fee income and to expand banking services throughout Florida. Currently, BankAtlantic has 137 ATM machines located in Wal-Mart SuperStores, 15 ATM machines located on cruise ships, and 97 machines located in branches, shopping centers and businesses throughout South Florida.

Non-interest income, other increased during each of the years in the three year period ended December 31, 1997. Safe deposit rental income was $424,000 during 1997 compared to $230,000 and $208,000 during 1996 and 1995, respectively, and commissions from teller check outsourcing increased from $592,000 during the year ended December 31, 1995 to $752,000 and $843,000 during 1996 and 1997, respectively. The higher safe deposit box rental income and teller check fees reflects an increase in demand for these services. Non-interest income also includes $98,000 for real estate held for development and sales activities, net; representing the results of operations of SLW from the date of acquisition (October 31, 1997) through December 31, 1997.

NON-INTEREST EXPENSE

A summary of non-interest expense follows:

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | 1996 | 1995 | 1997 TO 1996 CHANGE | 1996 TO 1995 CHANGE |
|---|---|---|---|---|---|
| | | | (IN THOUSANDS) | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Employee compensation and benefits ......... | $40,236 | $33,216 | $ 25,403 | $ 7,020 | $ 7,813 |
| Occupancy and equipment .................... | 18,666 | 13,615 | 10,831 | 5,051 | 2,784 |
| SAIF special assessment .................... | 0 | 7,160 | 0 | (7,160) | 7,160 |
| Federal insurance premium .................. | 1,084 | 2,495 | 2,750 | (1,411) | (255) |
| Advertising and promotion .................. | 2,196 | 2,079 | 2,144 | 117 | (65) |
| Foreclosed asset activity, net ............ | 118 | (725) | (3,178) | 843 | 2,453 |
| Amortization of cost over fair value of net assets acquired .......................... | 2,508 | 1,545 | 1,122 | 963 | 423 |
| Other ...................................... | 17,124 | 12,856 | 12,088 | 4,268 | 768 |
| Total non-interest expenses ............. | $81,932 | $72,241 | $ 51,160 | $ 9,691 | $21,081 |

</TABLE>

The increase in employee compensation and benefits for each of the years in the three year period ended December 31, 1997 resulted from the number of full-time equivalent employees increasing from 746 at December 31, 1995 to 989 at December 31, 1996 and to 1,098 at December 31, 1997 as well as annual salary and benefit increases throughout the three year period. The increase in the number of employees during 1997 resulted from the expansion of BankAtlantic's branch network. During 1997, BankAtlantic opened four in-store Wal-Mart branches, five full-service branches in South Florida and began two new business units (international lending and small business lending). During 1996, approximately 160 of the new employees were related to the BNA acquisition and the remaining new employees primarily related to five new Wal-Mart branches. Occupancy and equipment expenses increased during each of the years in the three year period ended December 31, 1997 due to the expanded branch network, the acquisition of BNA, and data processing expenses. The new branches and the BNA acquisition resulted in increased depreciation and rent expense. Depreciation and rent expense increased from $3.2 million and $1.9 million during 1995 to $3.8 million and $2.1 million during the same 1996 period and further increased to $4.8 million and $3.2 million during the same 1997 period, respectively. Also included in occupancy and equipment expenses during 1997 and 1996 were $4.1 million and $2.2 million, respectively, of processing fees from outside service bureaus. In October 1996 BankAtlantic converted its principal data processing functions to an outside service bureau. A portion of the 1996 processing fees represents conversion expenses. Management believes that the service bureau conversion has enabled BankAtlantic to expand its branch network and offer new products and services.



On September 30, 1996, all institutions with SAIF assessable deposits, including BankAtlantic, were required to pay a one-time assessment of 0.657% of covered deposits at March 31, 1995. BankAtlantic's one-time assessment resulted in a pre-tax charge of $7.2 million for the year ended December 31, 1996. The $7.2 million charge excludes the $2.3 million amount assessed on BNA deposits which was considered in recording the acquisition of BNA under the purchase method of accounting. SAIF assessments during the year ended December 31, 1997 were reduced from prior years' levels as a consequence of the one-time assessment.

The components of "Foreclosed asset activity, net" were (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Real estate acquired in settlement of loans: | | | |
| Operating expenses, net ......................... | $ 528 | $ 47 | $ 41 |
| Reversal of provision for losses on REO ......... | (56) | (197) | (1,187) |
| Net gains on sales .............................. | (354) | (575) | (2,032)(A) |
| (Income) loss ................................... | $ 118 | $ (725) | $ (3,178) |

</TABLE>

- ----------------
(A) Including a $1.3 million gain related to a property originally acquired through a tax deed during 1995.

The loss in foreclosed asset activity, net during 1997 compared to 1996 income resulted from higher residential foreclosure expenses associated with the larger residential loan portfolio and an increase in commercial REO operating expenses due to the sale of rental REO properties during 1997 and 1996. The decline in foreclosed asset activity, net during 1996 compared to 1995 was primarily due to sales of commercial real estate owned and a $1.2 million reduction in the allowance for real estate owned during 1995 compared to a $197,000 reduction during 1996. For further discussion, see "Provision for Loan Losses and Provision for (Reversal of) Losses on Real Estate Owned."

Other non-interest expense increased during the three years ended December 31, 1997. The additional other expenses in 1997 and 1996 were associated with expanding the branch network, a larger loan portfolio and the acquisition of BNA. During 1997 compared to 1996, stationery, printing and supplies, telephone expenses, postage, check printing and armored car services increased by approximately $1.6 million. Consulting services primarily relating to the opening of Wal-Mart in-store branches increased by $315,000. Teller robbery and check losses increased by $652,000 and consumer direct and repossession expenses increased by $1.3 million during 1997. The expanded ATM network increased ATM operating expenses by $322,000. The higher other non-interest expenses during 1996 compared to 1995 were associated with expanding the branch network and the BNA acquisition.

The amortization of cost over fair value of net assets acquired relates to the BNA and MegaBank acquisitions.



MORTGAGE-BACKED SECURITIES AND INVESTMENT SECURITIES

During the year ended December 31, 1997 and 1996, the Company purchased and sold the following securities out of the available for sale portfolio: (in thousands)

<TABLE>
<CAPTION>

| | PURCHASES (1) | | SALES (1) | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| <S> | <C> | <C> | <C> | <C> |
| 7 year balloon mortgage-backed securities ........... | $219,198 | $ 0 | $ 66,021 | $ 5,900 |
| 5 year balloon mortgage-backed securities ........... | 18,443 | 0 | 28,096 | 0 |
| 30 year mortgage backed securities .................. | 0 | 0 | 6,412 | 0 |
| 15 year mortgage backed securities .................. | 0 | 0 | 1,066 | 20,500 |
| Real estate mortgage investment conduit ............. | 0 | 0 | 5,900 | 0 |
| U.S. treasury notes ................................. | 148,835 | 231,765 | 231,038 | 205,454 |
| Federal agency obligations .......................... | 0 | 0 | 7,600 | 0 |
| Corporate bonds ..................................... | 2,367 | 0 | 0 | 0 |
| Total fixed rate securities ....................... | 388,843 | 231,765 | 346,133 | 231,854 |
| 5-1 Adjustable rate mortgages ....................... | 271,028 | 0 | 9,363 | 136,600 |
| Marketable equity securities ........................ | 5,122 | 0 | 0 | 0 |
| Total securities available for sale activity ......... | $664,993 | $231,765 | $355,496 | $368,454 |

======== ======== ======== ========
</TABLE>

- ----------------
(1) Purchases and sales are stated at cost.

Other investment activity during 1997 included the purchase of $6.2 million of marketable equity trading securities and the sale of $2.9 million of these securities. BankAtlantic purchased and sold the above securities available for sale during 1997 in order to change the mix of its portfolio from fixed rate securities to adjustable rate securities due to the declining long term interest rates during 1997. During the year ended December 31, 1995, two $5.0 million treasury notes classified as trading securities were sold for a $589,000 net realized gain.

A summary of the cost and gross unrealized appreciation or depreciation of estimated fair value compared to cost of investment securities held to maturity, mortgage-backed securities available for sale, and securities available for sale, follows (in thousands):

<TABLE>
<CAPTION>

| | DECEMBER 31, | | | |
|---|---|---|---|---|
| | AMORTIZED COST | GROSS UNREALIZED APPRECIATION | GROSS UNREALIZED DEPRECIATION | ESTIMATED FAIR VALUE |
| <S> | <C> | <C> | <C> | <C> |
| Tax certificates held to maturity: | | | | |
| Cost equals market .............................. | $ 55,213 | $ 0 | $ 0 | $ 55,213 |
| Investment securities available for sale (1): | | | | |
| Cost equals market .............................. | 1,320 | 0 | 0 | 1,320 |
| Market over cost ................................ | 22,991 | 551 | 0 | 23,542 |
| Cost over market ................................ | 7,234 | 0 | 723 | 6,511 |
| Mortgage-backed securities available for sale (1): | | | | |
| Market over cost ................................ | 452,381 | 1,636 | 0 | 454,017 |
| Cost over market ................................ | 122,386 | 0 | 286 | 122,100 |
| Total ........................................ | $661,525 | $2,187 | $1,009 | $662,703 |

</TABLE>

- ----------------
(1) Amortized cost excludes net unrealized appreciation of $1.4 million on mortgage-backed securities and unrealized depreciation of $172,000 on investment securities available for sale.



At December 31, 1997 and 1996 all mortgage-backed and investment securities, excluding tax certificates, were available for sale. The composition, yields and maturities of securities were as follows (in thousands):

<TABLE>
<CAPTION>

| | U.S. TREASURY AND AGENCIES | TAX CERTIFICATES | MORTGAGE BACKED SECURITIES | ASSET BACKED SECURITIES | CORPORATE BOND AND OTHER | TOTAL | WEIGHTED AVERAGE YIELD |
|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| DECEMBER 31, 1997: | | | | | | | |
| MATURITY: (1) | | | | | | | |
| One year or less ................. | $ 10,004 | $ 38,448 | $ 20,598 | $ 11 | $ 910 | $ 69,971 | 6.05% |
| After one through five years ..... | 10,050 | 16,765 | 294,943 | 3,165 | 0 | 324,923 | 6.32 |
| After five through ten years ..... | 0 | 0 | 637 | 0 | 2,070 | 2,707 | 13.21 |
| After ten years .................. | 0 | 0 | 259,939 | 0 | 0 | 259,939 | 6.31 |
| Fair values (2) (3) .............. | $ 20,054 | $ 55,213 | $ 576,117 | $ 3,176 | $ 2,980 | $ 657,540 | 6.31% |
| Amortized cost (2) (3) ........... | $ 19,959 | $ 55,213 | $ 574,767 | $ 3,194 | $ 3,270 | $ 656,403 | 6.35% |
| Weighted average yield based on fair value ...................... | 5.54% | 8.26% | 6.14% | 5.53% | 14.80% | 6.31% | |
| Weighted average maturity ......... | 1.1 years | 2.0 years | 15.4 years | 1.5 years | 5.0 years | 13.6 years | |
| DECEMBER 31, 1996 | | | | | | | |
| Fair value ....................... | $115,638 | $ 54,511 | $ 294,740 | $28,967 | $ 0 | $ 493,856 | 6.06% |
| Amortized cost ................... | $115,295 | $ 54,511 | $ 293,889 | $28,943 | $ 0 | $ 492,638 | 6.08% |
| DECEMBER 31, 1995 | | | | | | | |
| Fair value ....................... | $ 25,113 | $ 49,856 | $ 597,751 | $68,939 | $ 0 | $ 741,659 | 6.72% |
| Amortized cost ................... | $ 24,606 | $ 49,856 | $ 588,956 | $68,907 | $ 0 | $ 732,325 | 6.81% |

</TABLE>

- ----------------
(1) Maturities are based on contractual maturities. Tax certificate maturities are based on historical repayment experience and BankAtlantic's charge-off policies since tax certificates do not have contractual maturities.

(2) Equity securities with an amortized cost of $5.1 million and a fair value of $5.2 million were excluded from the above table.
(3) Trading securities of $5.1 million were excluded from the above table.

Activity in the allowance for tax certificate losses was (dollars in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Balance, beginning of period | $ 1,466 | $1,648 | $ 2,985 |
| Charge-offs | (1,444) | (909) | (1,854) |
| Recoveries | 1,025 | 911 | 662 |
| Net (charge-offs) recoveries | (419) | 2 | (1,192) |
| Reversals charged to operations | (98) | (184) | (145) |
| Balance, end of period | $ 949 | $1,466 | $ 1,648 |
| Average yield on tax certificates during the period | 9.95% | 9.73% | 9.27% |

</TABLE>

Included in gains on sales of real estate owned for the year ended December 31, 1995 was approximately $1.3 million related to a property originally acquired through a tax deed.

FINANCIAL CONDITION

BankAtlantic's total assets at December 31, 1997 and 1996 were $3.1 billion, and $2.6 billion, respectively. The increase in total assets was primarily the result of increases in loans receivable, securities available for sale, mortgage servicing rights, investment in real estate held for sale, Federal Home Loan Bank stock and other assets of $248.0 million, $168.1 million, $13.8 million, $18.6 million,



$20.1 million and $6.1 million, respectively. The above increases in total assets were partially offset by a $20.2 million reduction in cash, and a $6.1 million decrease in Federal Funds sold. The loans receivable increase reflects $1.3 billion of loan fundings and purchases and $159.7 million of banker's acceptances during 1997. The loan fundings and purchases were partially offset by $948.9 million of principal reductions on loans and $273.9 million of loan sales. The increase in the securities available for sale balances resulted from the purchase of $665.0 million of securities partially offset by the sale of $355.5 million of securities and $141.8 million of principal reductions. The increase in mortgage servicing rights balances reflects purchases and originated servicing of $47.5 million partially offset by $25.5 million and $8.2 million of mortgage servicing rights sold and amortization, respectively. Investment in real estate held for development and sale represents the land acquired in connection with the SLW acquisition. Increases in FHLB stock were required based on higher FHLB advances. The additional other asset balances resulted from $6.4 million of deferred offering costs associated with the issuance of the 5 5/8% Debentures and the Trust Preferred Securities. Cash including federal funds sold and other short term investments declined due to lower liquidity requirements during 1997 compared to 1996.

At December 31, 1997, deposits decreased $69.0 million from December 31, 1996. Certificate accounts declined by $98.1 million while transaction accounts increased by $29.1 million. The lower certificate account balances primarily resulted from the maturities of high cost certificate accounts acquired in connection with the BNA acquisition. The higher transaction account balances reflects growth in savings accounts associated with new savings products which pay higher rates based on account balances. FHLB advances increased by $402.0 million. The additional borrowings were used to fund wholesale residential loan growth. Securities sold under agreement to repurchase and Federal Funds purchased declined by $129.4 million. The lower balances were due to the availability of funds provided by the April 1997 $74.5 million Trust Preferred Securities offering, the November 1997 $100.0 million 5 5/8% Debenture offering and the November 1997 issuance of 4,312,500 shares of Class A common stock. Repayment of securities sold under agreements to repurchase, deposit outflows, common stock repurchases, payments for advances by borrowers for taxes and insurance, the acquisition of SLW, loan originations, investment in joint ventures, and the purchases of loans, securities and tax certificates, trading securities were primarily funded through the sales of securities available for sale, trading securities, mortgage servicing rights and properties, proceeds from FHLB advances, federal funds purchased, loan and securities repayments, proceeds from the issuance of 5 5/8% Debentures, Trust Preferred Securities and Class A common stock.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



LOAN ACTIVITY -- The following table shows loan activity by major categories for the periods indicated (in thousands):

| | FOR THE YEAR ENDED DECEMBER 31, | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| LOAN FUNDINGS: (1) | | | | | |
| Residential real estate loans | $ 68,513 | $ 133,184 | $ 111,361 | $ 40,706 | $ 52,674 |
| Construction and development loans | 194,752 | 147,200 | 93,102 | 22,958 | 13,744 |
| Commercial real estate and business loans | 376,033 | 314,319 | 319,530 | 259,285 | 186,584 |
| Consumer loans (2) | 161,154 | 154,940 | 114,607 | 45,159 | 10,222 |
| Total loan fundings | 800,452 | 749,643 | 638,600 | 368,108 | 263,224 |
| PURCHASES: (3)(4) | | | | | |
| Residential real estate loans | 524,498 | 465,942 | 9,930 | 0 | 0 |
| Commercial real estate and business loans | 0 | 0 | 0 | 3,989 | 5,142 |
| Total purchases | 524,498 | 465,942 | 9,930 | 3,989 | 5,142 |
| Total loan production | 1,324,950 | 1,215,585 | 648,530 | 372,097 | 268,366 |
| Loan sales | (273,901) | (59,408) | (34,153) | (38,168) | (44,983) |
| Principal reduction on loans (1) | (947,281) | (548,536) | (444,867) | (270,986) | (289,037) |
| Transfer to real estate owned (5) | (5,076) | (1,788) | (1,029) | (1,282) | (2,396) |
| NET LOAN ACTIVITY | $ 98,692 | $ 605,853 | $ 168,481 | $ 61,661 | $ (68,050) |

- ----------------

(1) Does not include banker's acceptances.
(2) Includes second mortgage loans.
(3) Does not include indirect consumer loans purchased through dealers; such loans are included as originations.
(4) Excludes $395.0 million in 1996 and $116.4 million in 1995 of loans acquired in the BNA and MegaBank acquisitions, respectively.
(5) Includes foreclosures

Total loan originations for the years ended December 31, 1997, 1996 and 1995 were $68.5 million, $133.2 million, and $111.0 million, respectively, for residential real estate loans, and $285.1 million, $316.0 million, and $224.7 million, respectively, for commercial real estate and business loans (including construction and development loans) and $23.5 million, $75.4 million, and $55.8 million, respectively, for direct consumer loans, and $114.2 million, $76.9 million, and $56.1 million, respectively, for indirect consumer loans (all of which were indirect automobile loans). During 1997 $12.3 million of international loan credit facilities to foreign banks were originated which were included in business loans.

In the normal course of its business, BankAtlantic is a party to financial instruments with off-balance-sheet risk, when it is deemed appropriate in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and documentary letters of credit. Those instruments involve, to varying degrees, elements of credit risk. BankAtlantic's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contractual amount of those instruments. BankAtlantic uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.



Financial instruments with off-balance sheet risk at December 31, 1997 were (in thousands):

| | FIXED RATE | FLOATING RATE | WEIGHTED AVERAGE INTEREST RATE |
|---|---|---|---|
| Commitments to extend credit to foreign banks | $49,894 | $ 0 | 7.26% |
| Commitments to extend credit including the undisbursed portion of loans in process | $33,996 | $295,776 | 9.74% |

In addition, BankAtlantic extends letters of credit to its commercial customers. At December 31, 1997, BankAtlantic had $56.4 million of letters of credit outstanding. BankAtlantic receives an annual commitment fee on outstanding letters of credit.

PRINCIPAL REPAYMENTS -- The following table sets forth the scheduled contractual principal repayments at maturity dates of BankAtlantic's loan portfolios and securities available for sale at December 31, 1997. As of December 31, 1997, the total amount of principal repayments on loans and securities available for sale contractually due after December 31, 1998 was $1.6 billion having fixed interest rates and $812.8 million having floating or adjustable interest rates.

<TABLE>
<CAPTION>

| | OUTSTANDING ON DECEMBER 31, | FOR THE PERIOD ENDING DECEMBER 31, (1) | | | | | |
|---|---|---|---|---|---|---|---|
| | 1997 | 1998 | 1999-2000 | 2001-2005 | 2006-2010 | 2011-2015 | /greater than/2016 |
| | | | | (IN THOUSANDS) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Commercial real estate ....... | $ 396,357 | $ 87,400 | $ 90,591 | $189,460 | $26,101 | $ 1,771 | $ 1,034 |
| Residential real estate ...... | 200,400 | 354 | 402 | 4,856 | 17,052 | 20,925 | 156,811 |
| Purchased residential real estate ..................... | 772,932 | 0 | 15 | 5,900 | 11,899 | 2,224 | 752,894 |
| Real estate construction ..... | 325,951 | 143,512 | 113,783 | 66,870 | 1,786 | 0 | 0 |
| Consumer (2) ................. | 334,518 | 9,085 | 54,206 | 209,733 | 33,207 | 28,179 | 108 |
| Commercial business .......... | 67,871 | 49,393 | 11,826 | 6,477 | 175 | 0 | 0 |
| TOTAL LOANS (3) ........... | $2,098,029 | $289,744 | $270,823 | $483,296 | $90,220 | $53,099 | $910,847 |
| TOTAL SECURITIES AVAILABLE FOR SALE (3)(4) ........... | $ 607,490 | $ 36,686 | $225,836 | $ 85,029 | $ 0 | $ 0 | $259,939 |

</TABLE>

- ----------------
(1) Does not include banker's acceptances, deductions for undisbursed portion of loans in process, deferred loan fees, unearned discounts and allowances for loan losses.
(2) Includes second mortgage loans.
(3) Actual principal repayments may differ from information shown above.
(4) Includes equity securities available for sale of $5.1 million.

LOAN CONCENTRATION -- BankAtlantic's geographic loan concentration at December 31, 1997 was:

| | |
|---|---|
| Florida .................... | 55% |
| California ................. | 13% |
| Northeast .................. | 10% |
| Other ...................... | 22% |
| Total .................... | 100% |

The loan concentration for BankAtlantic's portfolio is primarily in South Florida where economic conditions have generally remained stable during the three years ended December 31, 1997. The concentration in California, Northeast, and other locations primarily relates to purchased wholesale residential real estate loans during 1997. The balance of the portfolio is throughout the United States without any specific concentration.



Loan maturities and sensitivity of loans to changes in interest rates for commercial business loans and real estate construction loans at December 31, 1997 were (in thousands):

<TABLE>
<CAPTION>

| | COMMERCIAL BUSINESS | REAL ESTATE CONSTRUCTION | TOTAL |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| One year or less ................................ | $64,835 | $306,632 | $371,467 |
| Over one year, but less than five years ......... | 2,985 | 19,319 | 22,304 |
| Over five years ................................. | 51 | 0 | 51 |
| | $67,871 | $325,951 | $393,822 |
| DUE AFTER ONE YEAR: | | | |
| Pre-determined interest rate .................... | $ 3,036 | $ 13,966 | $ 17,002 |
| Floating or adjustable interest rate ........... | 0 | 5,353 | 5,353 |
| | $ 3,036 | $ 19,319 | $ 22,355 |

</TABLE>

- ----------------
(1) Does not include banker's acceptances.

DEPOSITS -- Deposit accounts consisted of the following (in thousands):

<TABLE>
<CAPTION>

| | DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Non-interest bearing deposits ............ | $ 162,788 | $ 163,616 | $ 98,964 |
| Interest bearing deposits: | | | |
| Insured money fund savings .............. | 289,413 | 358,927 | 249,273 |
| NOW account ............................. | 223,679 | 216,587 | 171,726 |

| | | | |
|---|---|---|---|
| Savings account | 262,685 | 170,352 | 103,759 |
| Time deposits less than $100,000 | 648,906 | 739,622 | 528,163 |
| Time deposits $100,000 and over | 176,262 | 183,676 | 148,492 |
| Total | $1,763,733 | $1,832,780 | $1,300,377 |

</TABLE>

Time deposits $100,000 and over have the following maturities (in thousands):

| | DECEMBER 31, 1997 |
|---|---|
| Less than 3 months | $ 64,235 |
| 3 to 6 months | 34,123 |
| 6 to 12 months | 53,566 |
| More than 12 months | 24,338 |
| Total | $176,262 |

BankAtlantic solicits deposits through advertisements in newspapers and magazines of general circulation and on radio and television in Miami-Dade, Broward and Palm Beach Counties, Florida. Most of its depositors are residents of these three counties at least part of the year. BankAtlantic does not currently hold any deposits obtained through brokers. Merrill Lynch granted BankAtlantic a facility of up to $135 million for brokered certificates of deposit. The facility is considered as an alternative source of borrowings.



The stated rates and balances at which BankAtlantic paid interest on deposits were (dollars in thousands):

<TABLE>
<CAPTION>

| | DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Interest free checking | $ 162,788 | $ 163,616 | $ 98,964 |
| Insured money fund savings: 3.90% at December 31, 1997, 3.76% at December 31, 1996, and 3.22% at December 31, 1995 | 289,413 | 358,927 | 249,273 |
| NOW accounts: 2.20 % at December 1997, 1.60% at December 31, 1996, and 1.66% at December 31, 1995 | 223,679 | 216,587 | 171,726 |
| Savings accounts: 2.04% at December 31, 1997, 1.30% at December 31, 1996, and 1.71% December 31, 1995 | 262,685 | 170,352 | 103,759 |
| Total non-certificate accounts | 938,565 | 909,482 | 623,722 |
| Certificate accounts: | | | |
| 0.00% to 4.00% | 14,275 | 23,361 | 82,269 |
| 4.01% to 5.00% | 37,803 | 275,991 | 135,107 |
| 5.01% to 6.00% | 184,800 | 478,148 | 303,497 |
| 6.01% to 7.00% | 493,845 | 112,865 | 137,917 |
| 7.01% and greater | 90,882 | 30,749 | 17,543 |
| Total certificate accounts | 821,605 | 921,114 | 676,333 |
| | 1,760,170 | 1,830,596 | 1,300,055 |
| Interest earned not credited to deposit accounts | 3,563 | 2,184 | 322 |
| Total deposit accounts | $ 1,763,733 | $ 1,832,780 | $ 1,300,377 |
| Weighted average stated interest rate on deposits at the end of each period | 3.70% | 3.78% | 3.85% |

</TABLE>

The amounts of scheduled maturities of certificate accounts were (dollars in thousands):

<TABLE>
<CAPTION>

| | YEAR ENDING DECEMBER 31, | | | | | |
|---|---|---|---|---|---|---|
| DECEMBER 31, 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | THEREAFTER |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| 0.00% to 4.00% | $ 12,336 | $ 1,740 | $ 76 | $ 42 | $ 72 | $ 9 |
| 4.01% to 5.00% | 37,530 | 204 | 16 | 53 | 0 | 0 |
| 5.01% to 6.00% | 172,410 | 10,051 | 1,164 | 871 | 116 | 188 |
| 6.01% to 7.00% | 434,702 | 38,736 | 8,124 | 5,103 | 6,597 | 583 |
| 7.01% and greater | 21,238 | 30,071 | 18,809 | 8,727 | 11,365 | 672 |
| Total | $678,216 | $80,802 | $28,189 | $14,796 | $18,150 | $1,452 |

</TABLE>

The following table sets forth the deposit activities for the periods indicated (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Net increase (decrease) before interest credited ............ | $ (122,938) | $ 15,905 | $ 51,093 |
| Deposits acquired net of purchase accounting amortization..... | 0 | 469,065 | 120,055 |
| Interest credited ........................................... | 53,754 | 47,433 | 43,447 |
| Total ..................................................... | $ (69,184) | $532,403 | $214,595 |

</TABLE>



SUBJECT PORTFOLIO -- From 1987 through 1990, BankAtlantic purchased in excess of $50 million of indirect home improvement loans from certain dealers, primarily in the northeastern United States. BankAtlantic ceased purchasing loans from such dealers in the latter part of 1990. These dealers were affiliated with each other but were not affiliated with BankAtlantic. In connection with loans originated through these dealers, BankAtlantic funded amounts to the dealers as a dealer reserve. Such loans and related dealer reserves are referred to herein as the "Subject Portfolio."

BankAtlantic and National Union entered into a Covenant Not To Execute (the "Covenant"). Pursuant to the Covenant, BankAtlantic will continue to pursue its litigation against National Union but has agreed to limit execution on any judgment obtained against National Union to $18 million. Further, BankAtlantic agreed to and did join certain third parties as defendants in the action. Subsequently, National Union was realigned from a defendant in the action to a co-plaintiff with BankAtlantic. Pursuant to the Covenant, National Union paid BankAtlantic approximately $6.1 million on execution of the Covenant, and agreed to pay an additional $3 million, which was paid in November 1993, and approximately $2.9 million which was paid on November 1, 1994. Further, National Union agreed to reimburse BankAtlantic for additional losses (as defined) incurred by it in connection with the Subject Portfolio, not in excess of $18 million; the full amount of which has been paid. In the event of recovery by BankAtlantic of damages against third party wrongdoers, BankAtlantic will be entitled to retain such amounts until such amounts plus any payments received from National Union equal $22 million plus the costs incurred by BankAtlantic of obtaining such recoveries. Thereafter National Union will be entitled to any such recoveries to the extent of the $18 million it has paid to BankAtlantic. The trial was held in February 1998 and judgment was entered in favor of BankAtlantic and National Union against over fifty third party defendants, individuals and corporations.

Two actions were filed in New Jersey. One of the New Jersey actions was brought on behalf of the State of New Jersey and was resolved in 1995. The remaining New Jersey action, which was brought against over 25 parties, including BankAtlantic, purported to be a class action on behalf of named and unnamed plaintiffs that may have obtained loans from dealers who subsequently sold the loans to financial institutions, including BankAtlantic. This action sought, among other things, rescission of the loan agreements and damages. In November 1995, the court in this action entered an order dismissing the complaint against BankAtlantic; plaintiff's appealed this ruling. In January 1996, the Appellate Court reversed the lower court's decision and remanded the case back to the trial court to determine whether the action could be maintained as a class action. The reversal was without prejudice to BankAtlantic's right to renew its summary judgment motion after the trial court made a determination as to plaintiff's ability to maintain this case as a class action. In December 1997, the trial court denied the plaintiff's motion for class certification and in January 1998 granted BankAtlantic's summary judgment motion. The Plaintiffs have appealed the trial court's ruling.

While management believes that established reserves will be adequate to cover any additional losses that BankAtlantic may incur from the Subject Portfolio or the above described litigation, there is no assurance that this will be the case. See Note 17 to the Consolidated Financial Statements for further discussion on the Subject Portfolio.



Loans receivable composition, including mortgage-backed securities, at the dates indicated was (dollars in thousands):

<TABLE>
<CAPTION>

| | DECEMBER 31, | | | |
|---|---|---|---|---|
| | 1997 | | 1996 | |
| | AMOUNT | PERCENT | AMOUNT | PERCENT |
| <S> | <C> | <C> | <C> | <C> |
| LOANS RECEIVABLE | | | | |
| REAL ESTATE LOANS: | | | | |
| Residential real estate ..... | $ 37,813 | 1.98% | $ 438,359 | 24.02% |
| Purchased residential | | | | |

| | | | | |
|---|---|---|---|---|
| real estate ............... | 772,932 | 40.41 | 428,722 | 23.50 |
| Residential real estate available for sale ......... | 161,562 | 8.45 | 16,207 | 0.89 |
| Construction and development ............... | 325,951 | 17.04 | 301,813 | 16.54 |
| FHA and VA insured .......... | 1,025 | 0.05 | 4,013 | 0.22 |
| Commercial real estate ...... | 396,357 | 20.72 | 427,235 | 23.41 |
| Other loans: | | | | |
| Second mortgage - direct .... | 65,810 | 3.44 | 86,234 | 4.73 |
| Second mortgage - indirect... | 12,461 | 0.65 | 9,894 | 0.54 |
| Commercial business ......... | 67,871 | 3.55 | 78,177 | 4.28 |
| Consumer -- other direct .... | 51,558 | 2.69 | 76,506 | 4.19 |
| Consumer -- other indirect... | 204,689 | 10.70 | 172,056 | 9.43 |
| Total ..................... | 2,098,029 | 109.68 | 2,039,216 | 111.75 |
| Adjustments: | | | | |
| Undisbursed portion of loans in process ................. | 163,237 | 8.53 | 190,874 | 10.45 |
| Other ........................ | | | 0 | 0.00 |
| Unearned discounts on commercial real estate loans ...................... | 669 | 0.03 | 705 | 0.04 |
| Unerned discounts (premium) on purchased real estate and consumer loans .......... | (7,047) | (0.37) | (2,762) | (0.15) |
| Allowance for loan losses .... | 28,450 | 1.49 | 25,750 | 1.41 |
| Total loans receivable, net ..................... | $1,912,720 | 100.00% | $1,824,649 | 100.00% |
| Mortgage-backed securities: | | | | |
| FNMA participation certificates ............... | $ 207,738 | 36.06% | $ 101,381 | 34.40% |
| GNMA and FHLMC mortgage-backed securities... | 368,379 | 63.94 | 193,359 | 65.60 |
| Total mortgage-backed securities (1) .......... | $ 576,117 | 100.00% | $ 294,740 | 100.00% |
| Banker's acceptances ......... | $ 160,105 | 100.00% | $ 207 | 100.00% |

<CAPTION>

| | DECEMBER 31, | | | | | |
|---|---|---|---|---|---|---|
| | 1995 | | 1994 | | 1993 | |
| | AMOUNT | PERCENT | AMOUNT | PERCENT | AMOUNT | PERCENT |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| LOANS RECEIVABLE | | | | | | |
| REAL ESTATE LOANS: | | | | | | |
| Residential real estate ..... | $157,361 | 18.99% | $102,677 | 18.79% | $120,531 | 24.80% |
| Purchased residential real estate ............... | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Residential real estate available for sale ........ | 17,122 | 2.07 | 6,843 | 1.25 | 5,752 | 1.19 |
| Construction and development ............... | 122,371 | 14.77 | 45,725 | 8.37 | 11,333 | 2.34 |
| FHA and VA insured .......... | 5,183 | 0.63 | 6,395 | 1.17 | 7,972 | 1.64 |
| Commercial real estate ...... | 350,256 | 42.27 | 303,877 | 55.61 | 198,095 | 40.76 |
| Other loans: | | | | | | |
| Second mortgage - direct .... | 63,052 | 7.61 | 40,564 | 7.42 | 15,971 | 3.29 |
| Second mortgage - indirect... | 25,621 | 3.09 | 34,585 | 6.33 | 47,307 | 9.73 |
| Commercial business ......... | 64,194 | 7.75 | 24,566 | 4.50 | 27,979 | 5.76 |
| Consumer -- other direct .... | 37,502 | 4.53 | 16,386 | 3.00 | 19,667 | 4.05 |
| Consumer -- other indirect... | 96,042 | 11.59 | 32,373 | 5.93 | 56,896 | 11.71 |
| Total ..................... | 938,704 | 113.30 | 613,991 | 112.37 | 511,503 | 105.27 |
| Adjustments: | | | | | | |
| Undisbursed portion of loans in process ................. | 89,896 | 10.85 | 49,981 | 9.15 | 5,570 | 1.15 |
| Other ........................ | 0 | 0.00 | 63 | 0.01 | 33 | 0.01 |
| Unearned discounts on commercial real estate loans ...................... | 793 | 0.10 | 874 | 0.16 | 2,124 | 0.44 |
| Unerned discounts (premium) on purchased real estate and consumer loans .......... | 385 | 0.05 | 427 | 0.08 | 820 | 0.17 |
| Allowance for loan losses .... | 19,000 | 2.30 | 16,250 | 2.97 | 17,000 | 3.50 |
| Total loans receivable, net ..................... | $828,630 | 100.00% | $546,396 | 100.00% | $485,956 | 100.00% |
| Mortgage-backed securities: | | | | | | |
| FNMA participation certificates ............... | $132,554 | 22.18% | $147,652 | 23.52% | $178,928 | 33.99% |
| GNMA and FHLMC mortgage-backed securities... | 465,197 | 77.82 | 480,230 | 76.48 | 347,437 | 66.01 |
| Total mortgage-backed securities (1) .......... | $597,751 | 100.00% | $627,882 | 100.00% | $526,365 | 100.00% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Banker's acceptances ......... | $ 0 | 0.00% | $ 0 | 0.00% | $109,931 | 100.00% |
| | ======== | ====== | ======== | ====== | ======== | ====== |

</TABLE>

- ----------------

(1) Includes net unrealized appreciation on mortgage-backed securities available for sale of $1.4 million, $851,000, $8.8 million and $314,000 at December 31, 1997, 1996, 1995 and 1994, respectively.

ASSET AND LIABILITY MANAGEMENT

BankAtlantic originates commercial real estate loans, commercial business loans and consumer loans which generally have higher yields and shorter durations than residential real estate loans. BankAtlantic originates residential loans with both fixed and adjustable rates, however the majority of residential loans originated are currently sold to correspondents. BankAtlantic also purchases residential loans with both fixed and adjustable rates, which are retained for portfolio. Since these bulk loan purchases are acquired periodically, management is in a better position (unlike the case of individual loan originations) to manage the interest rate risk in this portfolio due to the size and generally homogeneous nature of these purchases. BankAtlantic also acquires mortgage-backed



securities and Treasury securities with intermediate terms. During recent years in order to lower its cost of funds, BankAtlantic has not emphasized certificates of deposit and seeks to emphasize generating low cost transaction and escrow accounts as market opportunities allow. See "Mortgage-Backed Securities and Investment Securities." Management continually assesses general economic conditions, the interest rate environment and the yields and credit risk associated with alternative investments.

MARKET RISK

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

EQUITY PRICE RISK

The Company maintains a portfolio of trading and available for sale securities which subjects the Company to equity pricing risks. The change in fair values of equity securities represents instantaneous changes in all equity prices segregated by trading and available for sale securities. The following are changes in the fair value of the Company's trading and available for sale securities at December 31, 1997 based on percentage changes in fair value. Equity price risk is managed through industry diversification. Actual future price appreciation or depreciation may be different from the changes identified in the table below.

| PERCENT CHANGE IN FAIR VALUE | TRADING SECURITIES FAIR VALUE | AVAILABLE FOR SALE SECURITIES FAIR VALUE |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| 20.00% | $6,080 | $6,196 |
| 10.00% | $5,574 | $5,679 |
| 0.00% | $5,067 | $5,163 |
| (10.00)% | $4,560 | $4,647 |
| (20.00)% | $4,054 | $4,130 |

INTEREST RATE RISK

The majority of the Company's assets and liabilities are monetary in nature subjecting the Company to significant interest rate risk. The Company has developed a model using vendor software to quantify its interest rate risk. A sensitivity analysis was performed measuring the Company's potential gains and losses in net portfolio fair values of interest rate sensitive instruments at December 31, 1997 resulting from a change in interest rates. Interest rate sensitive instruments included in the model were the Company's: loan portfolio, debt securities available for sale, investment securities, FHLB stock, mortgage servicing rights, Federal Funds sold, deposits, advances from FHLB, securities sold under agreements to repurchase, Federal Funds purchased Subordinated Debentures, Trust Preferred Securities and off-balance sheet loan commitments. The Company has no off-balance sheet derivatives other than fixed rate loan commitments aggregating $83.9 million at December 31, 1997. The model calculates the net potential gains and losses in net portfolio fair value by: (i) discounting cash flows from existing assets, liabilities and off-balance sheet contracts to determine fair values at December 31, 1997, (ii) discounting the above expected cash flows based on instantaneous and parallel shifts in the yield curve to determine fair values, (iii) the difference between the fair value calculated in (i) and (ii) is the potential gains and losses in net portfolio fair values. Management has made estimates of fair value discount rates that it believes to be reasonable. However, because there is no quoted market for many of these financial instruments, management has no basis to determine whether the fair value presented would be indicative of the value negotiated in an actual sale. BankAtlantic's fair value estimates do not consider the tax effect that would be associated with the disposition of the assets or liabilities at their fair value estimates.

The prepayment assumptions used in the model are disclosed in

BankAtlantic's Cumulative Rate Sensitivity GAP at December 31, 1997. Subordinated debentures and Trust Preferred Securities were



valued based on their contractual maturities or redemption date. The Company's interest rate risk policy has been approved by the Board of Directors and establishes guidelines for tolerance levels for net portfolio value changes based on interest rate volatility. Management has maintained the portfolio within these established tolerances.

Presented below is an analysis of the Company's interest rate risk at December 31, 1997 as calculated utilizing the Company's model. The table measures changes in net portfolio value for instantaneous and parallel shifts in the yield curve in 100 basis point increments up or down.

| CHANGES IN RATE | NET PORTFOLIO VALUE AMOUNT | DOLLAR CHANGE |
|---|---|---|
| | (DOLLARS IN THOUSANDS) | |
| +200 bp | $363,011 | $ (583) |
| +100 bp | $368,977 | $ 5,383 |
| 0 bp | $363,594 | $ 0 |
| (100) bp | $336,412 | $ (27,182) |
| (200) bp | $316,326 | $ (47,268) |

Certain assumptions by the Company in assessing the interest rate risk were utilized in preparing the preceding table. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates, and market values of certain assets under various interest rate scenarios. It was also assumed that delinquency rates will not change as a result of changes in interest rates although there can be no assurance that this will be the case. Even if interest rates change in the designated increments, there can be no assurance that the Company's assets and liabilities would perform as indicated in the table above. In addition, a change in U.S. Treasury rates in the designated amounts, accompanied by a change in the shape of the yield curve could cause significantly different changes to the fair values than indicated above. Furthermore, the result of the calculations in the preceding table are subject to significant deviations based upon actual future events, including anticipatory and reactive measures which the Company may take in the future.

INTEREST RATE SENSITIVITY

BankAtlantic's net earnings are materially impacted by the difference between the income it receives from its loan portfolio, tax certificates and securities available for sale and its cost of funds. The interest paid by BankAtlantic on deposits and borrowings determines its cost of funds. The yield on BankAtlantic's loan portfolio changes principally as a result of loan repayments, the interest rate and the volume of new loan originations and purchases. Fluctuations in income from securities will occur based on the amount invested during the period and interest rate levels yielded by such securities. BankAtlantic's net interest spread will fluctuate in response to interest rate changes.

BankAtlantic's one year interest rate sensitivity gap ratio, which is the difference between the amount of interest bearing liabilities which are projected to mature or reprice within one year and the amount of interest earning assets which are similarly projected to mature or reprice, all divided by total assets, amounted to a positive 6.55% and .42% at December 31, 1997 and 1996, respectively. The change in the 1997 gap ratio resulted from higher prepayment rate on fixed rate residential loans, increased intermediate term FHLB borrowings and the increase in BankAtlantic's stockholders' equity based on capital contributions by the Company. During 1997, BankAtlantic borrowed $247.0 million of one to five year estimated maturity advances from FHLB to fund fixed rate residential loans. Fixed rate residential loans increased from $468.9 million at December 31, 1996 to $732.6 million at December 31, 1997. The higher fixed rate residential loan balances resulted from the purchase of $524.5 million of wholesale residential loans. The absolute amount of BankAtlantic's one year gap changed from a positive $10.9 million at December 31, 1996, to a positive $200.7 million at December 31, 1997.

At December 31, 1997 BankAtlantic had a positive cumulative gap of 3.35%, 1.75%, 6.55%, 20.37%, 20.72%, 17.54%, 17.80% and 17.81% for 0-90 days, 91 to 180 days, 181 days to 1 year, 1-3 years, 3-5



years, 5-10 years, 10-20 years and greater than 20 years, respectively. Interest rate rises would be minimized by the fact that a significant amount of BankAtlantic's interest bearing liabilities are deposits for which interest rates paid do not generally increase at the same proportionate rate as an increase in the prime rate. However, the interest rates charged on BankAtlantic's adjustable rate loans and securities are priced on the basis of the prime rate and other indices and increase at the same rate as the prime or applicable index rate, subject only to caps that may exist in the loan or security instrument. At the present time, caps on interest earning assets generally do not have the effect of limiting increases in the interest rate charged on such assets. As noted above, the cumulative positive gap in future periods provides the opportunity to increase earnings in a rising interest rate environment due to the ability to reprice more assets than liabilities. This imbalance is referred to as a positive interest rate sensitivity gap, and measures an institution's ability to adjust to changes in the general interest rates. BankAtlantic's interest rate sensitive assets (assets which reprice based on an index or which have short term maturities) have in the past exceeded its interest sensitive liabilities (generally deposits with maturities of one year or less). A positive interest rate sensitivity gap provides the potential for widening interest margins and increased earnings during times of increasing rates. However, a positive gap will correspondingly negatively impact earnings when rates decline.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



BANKATLANTIC'S CUMULATIVE RATE SENSITIVITY GAP AT DECEMBER 31, 1997

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)

| <S> | 0-90 DAYS <C> | 91-180 DAYS <C> | 181 DAYS TO 1 YEAR <C> | 1-3 YEARS <C> |
|---|---|---|---|---|
| Interest earning assets: | | | | |
| Investment securities (5)(7) | $ 43,020 | $ 12,601 | $ 17,714 | $ 16,765 |
| Conventional single family (1) | 70,811 | 63,796 | 109,642 | 270,522 |
| Adjustable single family (2) | 49,810 | 56,982 | 95,351 | 38,563 |
| Securities available for sale-fixed rates (3) (6) | 25,757 | 22,444 | 49,839 | 242,306 |
| Securities available for sale floating rates (2) | 11,643 | 11,129 | 20,804 | 86,051 |
| Commercial real estate loans (1) | 187,844 | 15,301 | 191,295 | 68,638 |
| Adjustable commercial real estate loans (2) | 120,802 | 10,904 | 7,387 | 0 |
| Commercial business including banker's acceptances | 169,929 | 1,958 | 4,760 | 2,628 |
| Commercial business adjustable | 48,293 | 0 | 0 | 0 |
| Consumer -- fixed rate | 42,935 | 35,948 | 59,453 | 127,811 |
| Consumer prime rate | 37,948 | 0 | 0 | 0 |
| Total interest earning assets | 808,792 | 231,063 | 556,245 | 853,284 |
| Interest bearing liabilities: | | | | |
| Money fund savings (4) | 57,158 | 45,871 | 73,622 | 59,077 |
| Savings and NOW (4) | 31,066 | 28,806 | 52,766 | 150,843 |
| Certificate accounts (9) | 233,220 | 189,877 | 255,119 | 108,991 |
| Borrowings: | | | | |
| Securities sold under agreements to repurchase | 107,230 | 0 | 0 | 0 |
| Advances from FHLB and Federal Funds purchased (8) | 277,500 | 15,650 | 27,493 | 110,786 |
| Total interest-bearing liabilities | $ 706,174 | $ 280,204 | $ 409,000 | $ 429,697 |
| Interest rate sensitivity GAP (repricing difference) | $ 102,618 | $ (49,141) | $ 147,245 | $ 423,587 |
| Cumulative GAP | $ 102,618 | $ 53,477 | $ 200,722 | $ 624,309 |
| Cumulative ratio of GAP to total assets | 3.35% | 1.75% | 6.55% | 20.37% |

<CAPTION>

(DOLLARS IN THOUSANDS)

| <S> | 3-5 YEARS <C> | 5-10 YEARS <C> | 10-20 YEARS <C> | >20 YEARS <C> | TOTAL <C> |
|---|---|---|---|---|---|
| Interest earning assets: | | | | | |
| Investment securities (5)(7) | $ 0 | $ 0 | $ 0 | $ 0 | $ 90,100 |
| Conventional single family (1) | 120,350 | 91,706 | 5,600 | 199 | 732,626 |
| Adjustable single family (2) | 0 | 0 | 0 | 0 | 240,706 |
| Securities available for sale-fixed rates (3) (6) | 2,175 | 17 | 0 | 0 | 342,538 |
| Securities available for sale floating rates (2) | 130,162 | 0 | 0 | 0 | 259,789 |
| Commercial real estate loans (1) | 93,190 | 26,947 | 0 | 0 | 583,215 |
| Adjustable commercial real estate loans (2) | 0 | 0 | 0 | 0 | 139,093 |
| Commercial business including banker's acceptances | 357 | 51 | 0 | 0 | 179,683 |
| Commercial business adjustable | 0 | 0 | 0 | 0 | 48,293 |

| | | | | | |
|---|---|---|---|---|---|
| Consumer -- fixed rate ......... | 26,550 | 1,327 | 2,546 | 0 | 296,570 |
| Consumer prime rate ........... | 0 | 0 | 0 | 0 | 37,948 |
| Total interest earning assets ..................... | 372,784 | 120,048 | 8,146 | 199 | 2,950,561 |
| Interest bearing liabilities: | | | | | |
| Money fund savings (4) ........ | 28,126 | 25,559 | 0 | 0 | 289,413 |
| Savings and NOW (4) ........... | 66,796 | 156,087 | 0 | 0 | 486,364 |
| Certificate accounts (9) ....... | 32,946 | 1,452 | 0 | 0 | 821,605 |
| Borrowings: | | | | | |
| Securities sold under agreements to repurchase .................... | 0 | 0 | 0 | 0 | 107,230 |
| Advances from FHLB and Federal Funds purchased (8) ................ | 234,238 | 34,540 | 0 | 0 | 700,207 |
| Total interest-bearing liabilities ................ | $ 362,106 | $ 217,638 | $ 0 | $ 0 | $2,404,819 |
| Interest rate sensitivity GAP (repricing difference) ......... | $ 10,678 | $ (97,590) | $ 8,146 | $ 199 | $ 545,742 |
| Cumulative GAP ................. | $ 634,987 | $ 537,397 | $ 545,543 | $ 545,742 | |
| Cumulative ratio of GAP to total assets .................. | 20.72% | 17.54% | 17.80% | 17.81% | |

</TABLE>

- ----------------
(1) Fixed rate mortgages are shown in periods which reflect normal amortization plus prepayments of 14-21% per annum, depending on coupon.
(2) Adjustable rate mortgages and securities available for sale-floating rate are shown in the periods in which the mortgages are scheduled for repricing.
(3) Fixed rate securities available for sale are shown in periods which reflect normal amortization plus prepayments equal to BankAtlantic's experience of 16-29% per annum.
(4) BankAtlantic determines deposit run-off on money fund checking, savings and NOW accounts based on statistics obtained from external sources. BankAtlantic does not believe its experience differs significantly from these sources. Interest-free transaction accounts are non-interest bearing liabilities and are accordingly, excluded from the cumulative rate sensitivity gap analysis.

<TABLE>
<CAPTION>

| <S> | WITHIN 1 YEAR <C> | 1-3 YEARS <C> | 3-5 YEARS <C> | OVER 5 YEARS <C> |
|---|---|---|---|---|
| Savings accounts decay rates .............................. | 17.00% | 17.00% | 16.00% | 14.00% |
| Insured money fund savings (excluding tiered savings) decay rates .................................................. | 79.00% | 31.00% | 31.00% | 31.00% |
| NOW and tiered savings accounts decay rates .............. | 37.00% | 32.00% | 17.00% | 17.00% |

</TABLE>

(5) Includes FHLB stock and federal funds sold.
(6) Asset-backed securities are shown in periods which reflect normal amortization plus prepayments equal to BankAtlantic's experience of 62% per annum.
(7) Tax certificates are shown in periods which reflects normal repayment equal to BankAtlantic's experience of 10% of the outstanding monthly balance.
(8) Included in advances from FHLB were $200.0 million of European callable advances. The repricing date of the callable advance utilized in the above table was the final maturity date due to lower advance rates at December 31, 1997.
(9) The amounts of scheduled maturities of certificate accounts and related interest rates are disclosed under the heading "Financial Condition -- Deposits" elsewhere in this report.



Management considers BankAtlantic's current gap position to be within acceptable parameters. To the extent the gap position deviates from this status, actions which could be taken, if deemed appropriate, include the lengthening or shortening of maturities for borrowings and investment security purchases, disposing of debt securities which are available for sale as well as purchasing more variable rate than fixed rate investment securities.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of cash flow is dividends from BankAtlantic. See "Regulation - Restrictions on Dividends and Other Capital Distributions" by BankAtlantic. The Company's annual debt service associated with its $252.9 million of 9%, 63/4%, 55/8% Debentures and Trust Preferred Securities is approximately $18.5 million and its estimated current annual dividends to common shareholders is $3.3 million. The Company also obtains funds through the exercise of stock options as previously noted, through the sale of common shares and issuances of debt securities.

Liquidity relates to BankAtlantic's ability to generate sufficient cash to meet funding needs to support loan demand, to meet deposit withdrawals and to pay operating expenses. BankAtlantic's securities portfolio provides an internal source of liquidity as a consequence of its short-term investments as well as scheduled maturities and interest payments. Loan repayments and sales also provide an internal source of liquidity.

On October 31, 1997, BankAtlantic, through a subsidiary, BDC, acquired for approximately $20.0 million, SLWHC. SLWHC is the developer of the master planned community of SLW, located in St. Lucie County, Florida. The developer's annual operating expenses are estimated to be approximately $4.2 million and there are no assurances that periodic sales of properties will be sufficient to ensure profitability in 1998 or in future years. To the extent sales are not adequate to cover operating expenses, the Company through a capital contribution to BankAtlantic, may have to provide additional funds to BDC.

A summary of the Company's consolidated cash flows follows (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Net cash provided (used) by: | | | |
| Operating activities ................................ | $ 246,404 | $ 29,159 | $ 36,649 |
| Investing activities ................................ | (684,663) | (336,615) | (65,233) |
| Financing activities ................................ | 411,903 | 346,732 | 42,471 |
| Increase (decrease) in cash and due from banks ......... | $ (26,356) | $ 39,276 | $ 13,887 |

</TABLE>

Cash flows from operations increased in 1997 from 1996 principally due to proceeds from sales of loans available for sale of $280.7 million net of fundings of such loans of $79.8 million. Cash flows from operations were relatively consistent in 1996 and 1995.

Cash used by investing activities increased by $348.0 million from 1996 to 1997. Such increase was principally the result of increases of $433.2 million and $159.7 million in purchases of available for sale securities and banker's acceptances, respectively, net of an increase of $398.7 million in principal reductions on loans. The $271.4 million increase in cash used by investing activities from 1995 to 1996 was principally due to increases of $456.0 million and $231.8 million in residential loan and available for sale security purchases, respectively. Such increases were principally reduced by an increase in proceeds from available for sale securities of $373.6 million.

Cash provided by financing activities increased $65.2 million in 1997. Such increase was primarily the result of a net increase of $313.1 million in FHLB advances and an increase of $113.2 million in proceeds from Debentures. The above increases were partially offset by a $138.8 million decrease in net deposits and a decrease of $254.2 million in net securities sold under agreements to repurchase.



Cash provided by financing activities increased by $304.3 million in 1996 due to growth in net securities sold under agreements to repurchase activity of $226.5 million and growth in proceeds from Debentures of $35.2 million, along with other smaller changes.

In August 1996, the Company announced a plan to repurchase up to 1.95 million shares of the Company's common stock. As of December 31, 1997, the Company had repurchased, in the secondary market, 1.4 million and 541,406 shares of Class A and Class B common stock, respectively, for $15.5 million. These shares were retired at the time of repurchase.

Management believes that the Company and BankAtlantic have adequate liquidity to meet their business needs and regulatory requirements.

The Indentures relating to the Company's 9% and 6 3/4% Debentures provide that the Company cannot declare or pay dividends on, or purchase, redeem or acquire for value its capital stock, return any capital to holders of capital stock as such, or make any distributions of assets to holders of capital stock as such, unless, from and after the date of any such dividend declaration (a "Declaration Date") or the date of any such purchase, redemption, payment or distribution (a "Redemption Date"), the Company retains cash, cash equivalents (as determined in accordance with generally accepted accounting principles) or marketable securities (with a market value as measured on the applicable Declaration Date or Redemption Date) in an amount sufficient to cover the two consecutive semi-annual interest payments that will be due and payable on the Debentures following such Declaration Date or Redemption Date, as the case may be. These Indentures further provide that the amount of any interest payment made by the Company with respect to the Debentures after any applicable Declaration Date or Redemption Date shall be deducted from the aggregate amount of cash or cash equivalents which the Company shall be required to retain pursuant to the foregoing provision. At December 31, 1997 and 1996 the Company designated $5.8 million of securities available for sale to satisfy the above provisions.

In March 1997, the Company formed BBC Capital Trust I ("BBC Capital"). BBC Capital is a statutory business trust which was formed for the purpose of issuing 9 1/2% Cumulative Trust Preferred Securities ("Trust Preferred

Securities") and investing the proceeds thereof in Junior Subordinated Debentures of the Company. In a public offering in April 1997, BBC Capital issued 2.99 million shares of Trust Preferred Securities at a price of $25 per share. The gross proceeds from the offering of $74.75 million were invested in an identical principal amount of the Company's 9.50% Junior Subordinated Debentures (the "Junior Subordinated Debentures") which bear interest at the same rate as the Preferred Securities and have a stated maturity of 30 years. In addition, the Company contributed $2.3 million to BBC Capital in exchange for BBC Capital's Common Securities (the "Common Securities") and such proceeds were also invested in an identical principal amount of Junior Subordinated Debentures. Offering costs of $2.9 million were paid by the Company. The Company contributed $21.2 million of the net proceeds as capital to BankAtlantic, used $12.2 million of the net proceeds to repurchase common stock and intends to use the remaining proceeds for general corporate purposes, including acquisitions by the Company or BankAtlantic. BankAtlantic used the $21.2 million of contributed capital to acquire SLW, a developer of the master planned community of St. Lucie West located in St. Lucie County, Florida. BBC Capital's sole asset is $77.1 million aggregate principal amount of the Junior Subordinated Debentures.

Holders of the Trust Preferred Securities and the Common Securities will be entitled to receive a cumulative cash distribution at a fixed 9.50% rate of the $25 liquidation amount of each Security and the Trust Preferred Securities will have a preference under certain circumstances with respect to cash distributions and amounts payable on liquidation, redemption or otherwise over the Common Securities. The Trust Preferred Securities are considered debt for financial accounting and tax purposes.

On November 25, 1997, in a dual public offering, the Company issued 4,312,500 shares of Class A common stock and $100.0 million of 5 5/8% Debentures maturing on December 1, 2007. The net proceeds to the Company from the sale of Class A common stock were $43.4 million net of $107,000 expenses



and $96.5 million from the issuance of the 5 5/8% Debentures net of $3.5 million of deferred offering costs. The 5 5/8% Debentures are convertible at an exercise price of $12.94 per share into an aggregate of 7,727,975 shares of Class A. The 5 5/8% Debentures are redeemable at any time on or after December 1, 2000 at the option of the Company, in whole or in part, at fixed redemption prices. The Company contributed the entire net proceeds of the dual offering to BankAtlantic where it will be utilized to support BankAtlantic's growth, both internal and via acquisitions, including those expected to result from the continuing consolidation of the Florida banking market.

The Trust Preferred Securities and Indentures contain certain customary covenants found in Indentures under the Trust Indenture Act, including covenants with respect to the payment of principal and interest, maintenance of an office or agency for administering the Debentures, holding of funds for payments on the Debentures in trust, payment by the Company of taxes and other claims, maintenance by the Company of its properties and its corporate existence and delivery of annual certifications to the Trustee.

BankAtlantic's primary sources of funds have been deposits, principal repayments of loans, securities available for sale and tax certificates, proceeds from the sale of loans, mortgage servicing rights, investment securities, proceeds from securities sold under agreements to repurchase, advances from FHLB, operations, other borrowings, and capital transactions. These funds were primarily utilized to fund loan disbursements and purchases, repayments of securities sold under agreements to repurchase, maturities of advances from FHLB, purchases of tax certificates and payments of maturing certificates of deposit. In August 1994, the FHLB granted BankAtlantic a $300 million line of credit with a maximum term of ten years. In January 1997, the FHLB increased BankAtlantic's line of credit to $500 million. In November 1996, Merrill Lynch granted BankAtlantic a facility of up to $135.0 million for broker deposits. The facility will be exercised as an alternative source of borrowings, when and if needed. BankAtlantic has established $35.0 million lines of credit with five federally insured banking institutions to purchase Federal Funds. At December 31, 1997, there were $2.5 million of Federal funds balances outstanding.

Regulations currently require that savings institutions maintain an average daily balance of liquid assets (cash and short-term United States Government and other specified securities) equal to 4% to 5% of net withdrawable accounts and borrowings payable in one year or less. BankAtlantic had a liquidity ratio of 22.57% under these regulations at December 31, 1997. See "Regulation and Supervision -- Savings Institution Regulations -- Liquidity Requirements of the OTS."

Total commitments to originate and purchase loans, and mortgage-backed securities, excluding the undisbursed portion of loans in process, were approximately $336.4 million, $83.7 million and $69.7 million at December 31, 1997, 1996 and 1995, respectively. BankAtlantic funded its commitments out of loan repayments and, for a limited period of time, short-term borrowings. At December 31, 1997, loan commitments were approximately 8.80% of loans receivable, net.

As more fully described under "Regulation and Supervision -- Savings Institution Regulations -- Capital Requirements," BankAtlantic is required to meet all capital standards promulgated pursuant to FIRREA and FDICIA.

DIVIDENDS

The Company intends to pay regular quarterly cash dividends on its common stock. Funds for dividend payments and interest expense on the 9%, 6 3/4%, 5 5/8% Debentures and 9 1/2% Trust Preferred Securities are or will be dependent upon BankAtlantic's ability to pay dividends to the Company. Current regulations applicable to the payment of cash dividends by savings institutions impose limits on capital distributions based on an institution's regulatory capital levels and net income. See "Regulation and Supervision -- Restriction on Dividends and Other Capital Distributions."

In August 1993, BankAtlantic declared and paid a quarterly cash dividend to its common stockholders and has paid a regular quarterly dividend since that time. Subject to the results of



operations and regulatory capital requirements for BankAtlantic, the Company will seek to declare regular quarterly cash dividends on its common stock. The Company issued five for four common share stock splits effected in the form of 25% stock dividends in February 1998 and August 1997 payable in Class A common stock to all shareholders of both classes of common stock. Due to accounting and tax considerations, adjustments required as a result of stock dividends and relating to the purchase of Class B common stock previously granted under the Company's stock option plans were made in additional shares of Class B common stock.

IMPACT OF INFLATION

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

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

YEAR 2000 CONSIDERATIONS

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed and developed without considering the impact of the upcoming change in the century. If not corrected, many computer applications could fail or create erroneous results by or at the year 2000. The consequences of incomplete or untimely resolution of year 2000 issues represent an uncertainty that could affect future financial results. The year 2000 issue affects virtually all companies and organizations.

The Company's year 2000 Action Plan (the "Action Plan") was presented to the Board of Directors on December 2, 1997. The Action Plan was developed using the guidelines outlined in the Federal Financial Institutions Examination Council's "The Effect of 2000 on Computer Systems" and is scheduled for completion by December 31, 1998. The Year 2000 Coordinator is responsible for the Action Plan and the Board of Directors receives the year 2000 Executive Progress Report on a quarterly basis.

Based on the upgrades to equipment and software that are required to fulfill the Company's business needs, rapidly developing technology, and a 3 year capital equipment and software replacement plan, the Company does not anticipate replacement of equipment or software specifically related to year 2000 issues. All major data processing functions, such as loans, deposits, general ledger and other system applications have been outsourced in recent years. Management has been informed by these providers that all applications will be year 2000 compliant and available for user testing no later than December 31, 1998. Accordingly, the Company does not expect to expend material amounts to third parties to remediate year 2000 problems. In addition, the Company is in the process of establishing a contingency plan for all major applications, which is anticipated to be completed by June 30, 1998. There is no assurance that the service providers will meet their obligations to the Company.

Management is currently evaluating the impact year 2000 will have on its borrowers and suppliers and competitive nature of their business. There are no assurances that they will be able to survive or meet their obligations to the Company based on potential problems relating to year 2000.



BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

</TABLE>



{THIS PAGE INTENTIONALLY LEFT BLANK}



## INDEPENDENT AUDITORS' REPORT

The Board of Directors
BankAtlantic Bancorp, Inc.:

We have audited the accompanying consolidated statements of financial condition of BankAtlantic Bancorp, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BankAtlantic Bancorp, Inc. and subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1997, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Fort Lauderdale, Florida
January 21, 1998, except Note 23,
which is dated February 26, 1998



## BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

| | DECEMBER 31, | |
|---|---|---|
| | 1997 | 1996 |
| <S> | <C> | <C> |
| ASSETS | | |
| Cash and due from depository institutions .................. | $ 82,787 | $ 102,995 |
| Federal Funds sold ........................................ | 0 | 6,148 |
| Investment securities, net - held to maturity, at cost which approximates market value ................................ | 55,213 | 54,511 |
| Loans receivable, net ..................................... | 2,072,825 | 1,824,856 |
| Securities available for sale (at market value) ............ | 607,490 | 439,345 |
| Trading securities (at market value) ....................... | 5,067 | 0 |
| Accrued interest receivable ................................ | 22,624 | 20,755 |
| Real estate held for development and sale, net ............. | 18,638 | 0 |
| Real estate owned, net ..................................... | 7,528 | 4,918 |
| Office properties and equipment, net ....................... | 51,130 | 48,274 |
| Federal Home Loan Bank stock, at cost which approximates market value ............................................ | 34,887 | 14,787 |
| Mortgage servicing rights .................................. | 38,789 | 25,002 |
| Deferred tax asset, net .................................... | 3,197 | 3,355 |
| Cost over fair value of net assets acquired ................ | 26,188 | 28,591 |
| Other assets ............................................... | 38,117 | 31,990 |
| Total assets ............................................ | $3,064,480 | $2,605,527 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Deposits ................................................... | $1,763,733 | $1,832,780 |
| Advances from FHLB ......................................... | 697,707 | 295,700 |
| Federal Funds purchased .................................... | 2,500 | 0 |

| | | |
|---|---|---|
| Securities sold under agreements to repurchase | 58,716 | 190,588 |
| Subordinated debentures and note payable | 179,600 | 78,500 |
| Guaranteed preferred beneficial interests in Company's Junior Subordinated Debentures | 74,750 | 0 |
| Advances by borrowers for taxes and insurance | 39,397 | 29,659 |
| Other liabilities | 40,906 | 30,596 |
| Total liabilities | 2,857,309 | 2,457,823 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding | 0 | 0 |
| Class A common stock, $.01 par value, authorized 80,000,000 shares; issued and outstanding 21,509,159 and 18,128,782 shares | 215 | 78 |
| Class B common stock, $.01 par value, authorized 45,000,000 shares; issued and outstanding 10,690,231 and 10,542,116 shares | 107 | 105 |
| Additional paid-in capital | 98,475 | 64,171 |
| Retained earnings | 107,650 | 82,602 |
| Total stockholders' equity before net unrealized appreciation on debt securities available for sale - net of deferred income taxes | 206,447 | 146,956 |
| Net unrealized appreciation on debt securities available for sale - net of deferred income taxes | 724 | 748 |
| Total stockholders' equity | 207,171 | 147,704 |
| Total liabilities and stockholders' equity | $3,064,480 | $2,605,527 |

</TABLE>

See Notes to Consolidated Financial Statements



BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| INTEREST INCOME: | | | |
| Interest and fees on loans | $171,212 | $107,922 | $ 72,841 |
| Interest on banker's acceptances | 473 | 22 | 0 |
| Interest on mortgage-backed securities held to maturity | 0 | 0 | 37,855 |
| Interest on securities available for sale | 31,177 | 38,159 | 7,207 |
| Interest and dividends on investment and trading securities | 7,692 | 6,528 | 12,174 |
| Total interest income | 210,554 | 152,631 | 130,077 |
| INTEREST EXPENSE: | | | |
| Interest on deposits | 68,281 | 55,028 | 46,646 |
| Interest on advances from FHLB | 27,345 | 9,221 | 7,449 |
| Interest on securities sold under agreements to repurchase and federal funds purchased | 8,023 | 8,764 | 10,815 |
| Interest on subordinated debentures, note payable and guaranteed beneficial interests in Company's Junior Subordinated Debentures | 11,542 | 4,018 | 776 |
| Total interest expense | 115,191 | 77,031 | 65,686 |
| Net interest income | 95,363 | 75,600 | 64,391 |
| Provision for loan losses | 11,268 | 5,844 | 4,182 |
| Net interest income after provision for loan losses | 84,095 | 69,756 | 60,209 |
| NON-INTEREST INCOME: | | | |
| Loan servicing and other loan fees | 4,640 | 4,216 | 3,524 |
| Gains on sales of loans available for sale | 6,802 | 534 | 395 |
| Unrealized and realized gains on trading securities | 2,463 | 0 | 589 |
| Gains on sales of mortgage servicing rights | 7,905 | 4,182 | 2,744 |
| Gains on sales of securities available for sale | 2,367 | 5,959 | 0 |
| Gains on sales of property and equipment, net | 852 | 3,061 | 18 |
| Transaction fees | 9,302 | 8,600 | 6,963 |
| ATM fees | 5,329 | 3,944 | 2,033 |
| Other | 3,699 | 3,241 | 3,122 |
| Total non-interest income | 43,359 | 33,737 | 19,388 |
| NON-INTEREST EXPENSE: | | | |
| Employee compensation and benefits | 40,236 | 33,216 | 25,403 |
| Occupancy and equipment | 18,666 | 13,615 | 10,831 |
| SAIF special assessment | 0 | 7,160 | 0 |
| Federal insurance premium | 1,084 | 2,495 | 2,750 |
| Advertising and promotion | 2,196 | 2,079 | 2,144 |
| Foreclosed asset activity, net | 118 | (725) | (3,178) |
| Amortization of cost over fair value of net assets acquired | 2,508 | 1,545 | 1,122 |

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Other | 17,124 | 12,856 | 12,088 |
| Total non-interest expense | 81,932 | 72,241 | 51,160 |
| Income before income taxes | 45,522 | 31,252 | 28,437 |
| Provision for income taxes | 17,753 | 12,241 | 10,018 |
| Net income | 27,769 | 19,011 | 18,419 |
| Dividends on non-cumulative preferred stock | 0 | 0 | 677 |
| Amount classified as dividends on non-cumulative preferred stock redemption (A) | 0 | 0 | 1,353 |
| Total dividends on non-cumulative preferred stock | 0 | 0 | 2,030 |
| Net income available for common shares | $ 27,769 | $ 19,011 | $ 16,389 |
| BASIC EARNINGS PER SHARE CLASS A COMMON STOCK | $ 0.98 | $ 0.64 | $ N/A |
| BASIC EARNINGS PER SHARE CLASS B COMMON STOCK | $ 0.94 | $ 0.72 | $ 0.64 |
| DILUTED EARNINGS PER SHARE CLASS A COMMON STOCK | $ 0.78 | $ 0.58 | N/A |
| DILUTED EARNINGS PER SHARE CLASS B COMMON STOCK | $ 0.77 | $ 0.66 | $ 0.62 |

</TABLE>

- ----------------
(A) The excess of the redemption price above the recorded amount of preferred stock is considered a preferred stock dividend. The impact of the October 1995 preferred stock redemption for the year ended December 31, 1995 was a reduction of $0.05 for basic and diluted earnings per share.

See Notes to Consolidated Financial Statements



BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR EACH OF THE YEARS IN THE THREE YEAR PERIOD ENDED DECEMBER 31, 1997
(IN THOUSANDS)

<TABLE>
<CAPTION>

| <S> | PREFERRED STOCK <C> | ADDITIONAL PAID-IN CAPITAL PREFERRED STOCK <C> | COMMON STOCK <C> |
|---|---|---|---|
| BALANCE, DECEMBER 31, 1994 | $ 3 | $ 7,027 | $ 65 |
| Net income | 0 | 0 | 0 |
| 5 for 4 stock split June 1995 | 0 | 0 | 16 |
| 5 for 4 stock split January 1996 | 0 | 0 | 21 |
| Dividends on preferred stock | 0 | 0 | 0 |
| Redemption of preferred stock | (3) | (7,027) | 0 |
| Dividends on common stock | 0 | 0 | 0 |
| Exercise of 1984 Class B common stock options | 0 | 0 | 2 |
| Tax effect relating to the exercise of stock options | 0 | 0 | 0 |
| Exercise of stock warrants | 0 | 0 | 2 |
| Net change in unrealized appreciation on securities available for sale - net of deferred income taxes | 0 | 0 | 0 |
| BALANCE, DECEMBER 31, 1995 | 0 | 0 | 106 |
| Net income | 0 | 0 | 0 |
| Proceeds from issuance of Class A common stock, net | 0 | 0 | 12 |
| Dividends on Class A common stock | 0 | 0 | 0 |
| Dividends on Class B common stock | 0 | 0 | 0 |
| Exercise of 1984 Class B common stock options | 0 | 0 | 0 |
| Tax effect relating to the exercise of stock options | 0 | 0 | 0 |
| Purchase and retirement of Class A common stock | 0 | 0 | (1) |
| Purchase and retirement of Class B common stock | 0 | 0 | (1) |
| 5 for 4 stock split July 1996 | 0 | 0 | 30 |
| 5 for 4 stock split February 1997 | 0 | 0 | 37 |
| Net change in unrealized appreciation on securities available for sale - net of deferred income taxes | 0 | 0 | 0 |
| BALANCE, DECEMBER 31, 1996 | 0 | 0 | 183 |
| Net income | 0 | 0 | 0 |
| Proceeds from issuance of Class A common stock, net | 0 | 0 | 35 |
| Issuance of Class A common stock upon conversion of subordinated debentures | 0 | 0 | 0 |
| Dividends on Class A common stock | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| Dividends on Class B common stock .......... | 0 | 0 | 0 |
| Exercise of Class A common stock options..... | 0 | 0 | 0 |
| Exercise of Class B common stock options..... | 0 | 0 | 3 |
| Tax effect relating to the exercise of stock options ............................ | 0 | 0 | 0 |
| Purchase and retirement of Class A common stock ............................ | 0 | 0 | (3) |
| Purchase and retirement of Class B common stock ............................ | 0 | 0 | (8) |
| 5 for 4 stock split July 1997 .............. | 0 | 0 | 48 |
| 5 for 4 stock split February 1998 .......... | 0 | 0 | 64 |
| Net change in unrealized appreciation on securities available for sale - net of deferred income taxes .................... | 0 | 0 | 0 |
| BALANCE, DECEMBER 31, 1997 .................. | $ 0 | $ 0 | $322 |

<CAPTION>

| <S> | ADDITIONAL PAID-IN CAPITAL <C> | RETAINED EARNINGS <C> | NET UNREALIZED APPRECIATION ON SECURITIES AVAILABLE FOR SALE <C> | TOTAL <C> |
|---|---|---|---|---|
| BALANCE, DECEMBER 31, 1994 .................. | $ 47,027 | $ 51,205 | $ 193 | $105,520 |
| Net income ................................ | 0 | 18,419 | 0 | 18,419 |
| 5 for 4 stock split June 1995 .............. | 0 | (16) | 0 | 0 |
| 5 for 4 stock split January 1996 ........... | 0 | (21) | 0 | 0 |
| Dividends on preferred stock ............... | 0 | (677) | 0 | (677) |
| Redemption of preferred stock .............. | 0 | (1,353) | 0 | (8,383) |
| Dividends on common stock .................. | 0 | (1,740) | 0 | (1,740) |
| Exercise of 1984 Class B common stock options ............................ | 706 | 0 | 0 | 708 |
| Tax effect relating to the exercise of stock options ............................ | 173 | 0 | 0 | 173 |
| Exercise of stock warrants ................. | 999 | 0 | 0 | 1,001 |
| Net change in unrealized appreciation on securities available for sale - net of deferred income taxes .................... | 0 | 0 | 5,540 | 5,540 |
| BALANCE, DECEMBER 31, 1995 .................. | 48,905 | 65,817 | 5,733 | 120,561 |
| Net income ................................ | 0 | 19,011 | 0 | 19,011 |
| Proceeds from issuance of Class A common stock, net ........................ | 17,992 | 0 | 0 | 18,004 |
| Dividends on Class A common stock .......... | 0 | (460) | 0 | (460) |
| Dividends on Class B common stock .......... | 0 | (1,699) | 0 | (1,699) |
| Exercise of 1984 Class B common stock options ............................ | 413 | 0 | 0 | 413 |
| Tax effect relating to the exercise of stock options ............................ | 118 | 0 | 0 | 118 |
| Purchase and retirement of Class A common stock ............................ | (1,856) | 0 | 0 | (1,857) |
| Purchase and retirement of Class B common stock ............................ | (1,401) | 0 | 0 | (1,402) |
| 5 for 4 stock split July 1996 .............. | 0 | (30) | 0 | 0 |
| 5 for 4 stock split February 1997 .......... | 0 | (37) | 0 | 0 |
| Net change in unrealized appreciation on securities available for sale - net of deferred income taxes .................... | 0 | 0 | (4,985) | (4,985) |
| BALANCE, DECEMBER 31, 1996 .................. | 64,171 | 82,602 | 748 | 147,704 |
| Net income ................................ | 0 | 27,769 | 0 | 27,769 |
| Proceeds from issuance of Class A common stock, net ........................ | 43,339 | 0 | 0 | 43,374 |
| Issuance of Class A common stock upon conversion of subordinated debentures ..... | 375 | 0 | 0 | 375 |
| Dividends on Class A common stock .......... | 0 | (1,365) | 0 | (1,365) |
| Dividends on Class B common stock .......... | 0 | (1,244) | 0 | (1,244) |
| Exercise of Class A common stock options..... | 97 | 0 | 0 | 97 |
| Exercise of Class B common stock options..... | 1,757 | 0 | 0 | 1,760 |
| Tax effect relating to the exercise of stock options ............................ | 913 | 0 | 0 | 913 |
| Purchase and retirement of Class A common stock ............................ | (3,340) | 0 | 0 | (3,343) |
| Purchase and retirement of Class B common stock ............................ | (8,837) | 0 | 0 | (8,845) |
| 5 for 4 stock split July 1997 .............. | 0 | (48) | 0 | 0 |
| 5 for 4 stock split February 1998 .......... | 0 | (64) | 0 | 0 |
| Net change in unrealized appreciation on securities available for sale - net of deferred income taxes .................... | 0 | 0 | (24) | (24) |
| BALANCE, DECEMBER 31, 1997 .................. | $ 98,475 | $107,650 | $ 724 | $207,171 |

</TABLE>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

| <S> | FOR THE YEARS ENDED DECEMBER 31, 1997 <C> | 1996 <C> | 1995 <C> |
|---|---|---|---|
| OPERATING ACTIVITIES: | | | |
| Net Income | $ 27,769 | $ 19,011 | $ 18,419 |
| ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Provision for loan losses | 11,268 | 5,844 | 4,182 |
| Reversal of losses on real estate owned | (56) | (197) | (1,187) |
| Gain on sales of real estate held for development and sale | (727) | 0 | 0 |
| Depreciation | 4,786 | 3,835 | 3,203 |
| Amortization of mortgage servicing rights | 8,210 | 6,849 | 4,362 |
| Provision for deferred income taxes | 173 | 1,495 | 1,551 |
| Net amortization (accretion) of securities | (826) | (257) | 780 |
| Gains on sales of real estate owned | (354) | (575) | (2,032) |
| Net accretion of deferred loan origination fees and costs | (1,170) | (1,154) | (1,095) |
| Proceeds from sales of loans available for sale | 280,703 | 59,942 | 34,548 |
| Fundings of loans available for sale | (79,832) | (57,097) | (41,326) |
| Gains on sales of loans available for sale | (6,802) | (534) | (395) |
| Gains on sales of office properties and equipment | (852) | (3,061) | (18) |
| Purchase of trading securities, net | (6,243) | 0 | 0 |
| Proceeds from sales of trading securities | 3,640 | 0 | 9,524 |
| Unrealized and realized gains on trading securities | (2,463) | 0 | (589) |
| Gains on sales of securities available for sale | (2,367) | (5,959) | 0 |
| Gains on sales of mortgage servicing rights | (7,905) | (4,182) | (2,744) |
| Income (loss) from joint venture operations | 12 | 0 | (6) |
| Decrease (increase) in accrued interest receivable | (1,869) | (2,021) | 1,593 |
| Amortization of dealer reserve | 8,035 | 4,159 | 2,071 |
| Amortization of cost over fair value of net assets acquired | 2,508 | 1,545 | 1,122 |
| Net accretion of other purchase accounting adjustments | (417) | (329) | (612) |
| Amortization of subordinated debentures and note payable deferred costs | 445 | 222 | 98 |
| Decrease in other assets | 1,977 | 804 | 4,574 |
| Increase in other liabilities | 8,859 | 740 | 651 |
| Write down of office properties and equipment | 0 | 263 | 120 |
| Reversal of allowance for tax certificate losses | (98) | (184) | (145) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 246,404 | 29,159 | 36,649 |

</TABLE>

(CONTINUED)

See Notes to Consolidated Financial Statements



BANKATLANTIC BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

| <S> | FOR THE YEARS ENDED DECEMBER 31, 1997 <C> | 1996 <C> | 1995 <C> |
|---|---|---|---|
| INVESTING ACTIVITIES: | | | |
| Purchase of investment securities | (47,822) | (56,884) | (70,872) |
| Proceeds from redemption and maturity of investment securities | 47,218 | 52,413 | 140,837 |
| Purchase of securities available for sale | (664,993) | (231,765) | 0 |
| Principal collected on securities available for sale | 141,775 | 43,236 | 11,989 |
| Proceeds from sales of securities available for sale | 357,863 | 374,413 | 852 |
| Residential loans purchased | (524,498) | (465,942) | (9,930) |
| Principal reduction on loans | 947,281 | 548,536 | 444,867 |
| Loan fundings for portfolio | (720,620) | (692,546) | (597,274) |
| Banker's acceptances funded | (159,709) | (86) | 0 |
| Proceeds from maturity of banker's acceptances | 287 | 108 | 0 |
| Mortgage-backed securities purchased held to maturity | 0 | 0 | (75,262) |
| Principal collected on mortgage-backed securities held to maturity | 0 | 131,361 | 110,084 |
| Proceeds from sales of real estate owned | 2,876 | 4,938 | 5,373 |
| Additions to dealer reserve | (9,409) | (4,203) | (3,684) |
| Additions to office properties and equipment | (7,934) | (10,326) | (5,535) |
| Proceeds from sales of properties and equipment | 1,144 | 2,666 | 18 |
| Proceeds received from joint ventures | 0 | 0 | 1,239 |
| Investment in joint ventures | (1,325) | 0 | 0 |
| Purchases of FHLB stock net of redemptions | (20,100) | (1,923) | (1,249) |
| Proceeds from maturities of interest bearing deposits with banks | 0 | 19,795 | 0 |
| Proceeds from sales of mortgage servicing rights | 35,550 | 15,586 | 8,340 |
| Mortgage servicing rights purchased | (45,840) | (27,681) | (10,112) |
| Proceeds for sales of real estate held for development and sale | 2,133 | 0 | 0 |
| Additional investment in real estate held for development | | | |

| | | | |
|---|---|---|---|
| and sale | (623) | 0 | 0 |
| Acquisitions, net of cash acquired | (17,917) | (38,311) | (14,914) |
| NET CASH USED BY INVESTING ACTIVITIES | (684,663) | (336,615) | (65,233) |
| FINANCING ACTIVITIES: | | | |
| Net increase (decrease) in deposits | (122,938) | 15,905 | 51,093 |
| Interest credited to deposits | 53,754 | 47,433 | 43,447 |
| Proceeds from FHLB advances | 763,006 | 577,643 | 641,785 |
| Repayments of FHLB advances | (360,999) | (488,755) | (602,050) |
| Net increase (decrease) in federal funds purchased | 2,500 | (1,200) | 1,200 |
| Proceeds from notes payable | 563 | 0 | 4,000 |
| Repayment of notes payable | (903) | (1) | (3,999) |
| Net increase (decrease) in securities sold under agreements to repurchase | (131,872) | 122,329 | (104,207) |
| Proceeds from the issuance of subordinated debentures | 100,000 | 57,500 | 21,000 |
| Deferred costs on the issuance of subordinated debentures | (3,488) | (2,356) | (1,052) |
| Preferred stock redemption | 0 | 0 | (8,383) |
| Proceeds from issuance of guaranteed preferred interests in the Company's Junior Subordinated Debentures | 74,750 | 0 | 0 |
| Deferred offering costs from issuance of guaranteed preferred interests in the Company's Junior Subordinated Debentures | (2,908) | 0 | 0 |
| Payment to acquire and retire common stock | (12,188) | (3,259) | 0 |
| Issuance of common stock, net | 43,374 | 18,004 | 0 |
| Issuance of common stock upon exercise of stock options | 1,857 | 413 | 1,709 |
| Receipts (payments) of advances by borrowers for taxes and insurance, net | 9,738 | 5,235 | 277 |
| Preferred stock dividends paid | 0 | 0 | (677) |
| Common stock dividends paid | (2,343) | (2,159) | (1,672) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 411,903 | 346,732 | 42,471 |
| Increase (decrease ) in cash and cash equivalents | (26,356) | 39,276 | 13,887 |
| Cash and cash equivalents at the beginning of period | 109,143 | 69,867 | 55,980 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 82,787 | $ 109,143 | $ 69,867 |

</TABLE>

(CONTINUED)

See Notes to Consolidated Financial Statements





CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

| <S> | FOR THE YEARS ENDED DECEMBER 31, 1997 <C> | 1996 <C> | 1995 <C> |
|---|---|---|---|
| SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Interest paid | $112,161 | $ 71,656 | $ 65,708 |
| Income taxes paid | 15,060 | 8,600 | 9,320 |
| Income taxes refunded | 0 | 0 | 88 |
| Loans transferred to real estate owned | 5,076 | 1,788 | 1,029 |
| Residential loans held to maturity transferred to available for sale | 321,360 | 0 | 0 |
| Loans charged-off | 11,330 | 7,718 | 5,433 |
| Real estate owned charged-off | 244 | 803 | 213 |
| Tax certificates charged-off (recoveries), net | 419 | (2) | 1,192 |
| Book value of securities transferred to available for sale | 0 | 0 | 638,818 |
| Issuance of Class A common stock upon conversion of subordinated debentures | 375 | 0 | 0 |
| Increase in equity for the tax effect related to the exercise of stock options | 913 | 118 | 173 |
| Class A common stock cash dividends declared and paid in subsequent period | 496 | 168 | 0 |
| Class B common stock cash dividends declared and paid in subsequent period | 321 | 384 | 467 |
| Net change in unrealized appreciation (depreciation) on securities available for sale | (39) | (8,115) | 9,019 |
| Change in deferred taxes on net unrealized (depreciation) appreciation on securities available for sale | (15) | (3,130) | 3,479 |
| Change in stockholders' equity from net unrealized (depreciation) appreciation on securities available for sale, less related deferred income taxes | (24) | (4,985) | 5,540 |
| Proceeds receivable from sales of mortgage servicing rights | 7,388 | 9,522 | 0 |
| Originated mortgage servicing rights | 1,668 | 311 | 0 |
| Proceeds receivable from sales of properties leased to others | 0 | 5,401 | 0 |
| Transfer from securities available for sale to trading securities | 6,230 | 0 | 0 |

</TABLE>

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION -- BankAtlantic Bancorp, Inc. (the "Company") is a unitary savings bank holding company. The Company's primary asset is the capital stock of BankAtlantic, its wholly owned subsidiary and its primary activities currently relate to the operations of BankAtlantic and BankAtlantic's subsidiaries. Under applicable law, the Company generally has broad authority with few restrictions to engage in various types of business activities, including investments in financial service companies. BankAtlantic's subsidiaries historically have primarily been utilized to dispose of real estate acquired through foreclosure. The Company's recent activities during 1997 include the formation of BBC Capital Trust I, a wholly owned subsidiary , acquisition of St. Lucie West Holding Corp. ("SLWHC") (See Note 21) and the ownership of 50% of the voting common stock of Florida Atlantic Securities Inc., ("FASI") a full-service investment banking and securities brokerage firm. All significant intercompany balances and transactions have been eliminated in consolidation. At December 31, 1997 BFC Financial Corporation ("BFC") owned 46% of the Company's voting common stock and 36% of the Company's total common stock.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition and operations for the periods presented. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the next year relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, real estate held for development and sale, and the evaluation of the value of mortgage servicing rights. In connection with the determination of the allowances for loan losses and real estate owned, management obtains independent appraisals for significant properties when it is deemed prudent.

Certain amounts for prior years have been reclassified to conform with statement presentations for 1997.

CASH EQUIVALENTS -- Cash and due from depository institutions include demand deposits at other financial institutions and federal funds sold. Generally, federal funds are sold for one-day periods.

INVESTMENTS AND MORTGAGE-BACKED SECURITIES -- Investments in securities which BankAtlantic has a positive intent and ability to hold to maturity are classified as securities held to maturity and are carried at cost, adjusted for discounts and premiums which are accreted or amortized to estimated maturity under the interest method. A security cannot be classified as held to maturity if it might be sold in response to changes in market interest rates, related changes in the security's prepayment risk, liquidity needs, changes in the availability of and the yield on alternative investments, and changes in funding sources and terms.

Debt and equity securities and options related thereto, purchased or sold for the purpose of a short-term profit are classified as "trading account securities" and are recorded at fair value. Unrealized gains and losses in trading account securities are reflected in operations.

Debt and equity securities not classified as held to maturity or trading account securities are classified as "available for sale". Debt and equity securities available for sale are carried at fair value, with the related unrealized appreciation or depreciation, net of deferred income taxes, reported as a separate component of stockholders' equity.





1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Losses relating to permanent impairment of securities are reflected in the statement of operations.

On November 15, 1995, the Financial Accounting Standards Board ("FASB") issued Special Report No. 155-B, A GUIDE TO IMPLEMENTATION OF STATEMENT 115 ON ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES (the "Special Report"). Pursuant to the Special Report, BankAtlantic was permitted to conduct a one-time reassessment of the classifications of all securities held at that time. Any reclassifications from the held-to-maturity category made in conjunction with that reassessment would not call into question an enterprise's intent to hold other debt securities to maturity in the future. BankAtlantic undertook such a reassessment and, effective December 15, 1995, all mortgage-backed and investment securities, excluding tax certificates then classified as held-to-maturity were reclassified as available for sale.

TAX CERTIFICATES -- Tax certificates are carried at cost. All tax certificates are classified as held to maturity because management has the positive intent and ability to hold such certificates to maturity. Tax certificates and resulting deeds are classified as non-accrual when a tax certificate is 48 months delinquent and a deed has aged 48 months from BankAtlantic's acquisition date. At that time interest ceases to be accrued.

Allowance for tax certificate losses represents the amount which management believes is sufficient to provide for future losses that are probable and subject to reasonable estimation. . In establishing its allowance for tax certificates, management considers past loss experience, present indicators, such as the length of time the certificate has been outstanding, economic conditions and collateral values.

CONSTRUCTION AND DEVELOPMENT LENDING -- BankAtlantic's construction and development lending generally requires an equity investment in the form of contributed assets or direct cash investment from the borrower. Other than advances to joint ventures, BankAtlantic has no loans which provide for a participation in profits at December 31, 1997, 1996 and 1995. Accordingly, construction and development lending arrangements have been classified and accounted for as loans.

NON-ACCRUAL LOANS, IMPAIRED LOANS AND REAL ESTATE OWNED -- Interest income on loans, including the recognition of discounts and loan fees, is accrued based on the outstanding principal amount of loans using the interest method. A loan is generally placed on nonaccrual status at the earlier of management becoming aware that the borrower has entered bankruptcy proceedings and the loan is delinquent or when the loan is past due 90 days as to either principal or interest. When a loan is placed on nonaccrual status, interest accrued but not received is reversed against interest income. A nonaccrual loan may be restored to accrual status when delinquent loan payments are collected and the loan is expected to perform according to its contractual terms. Management considers a loan to be impaired when, based upon current information and events, it believes it is probable that BankAtlantic will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans collectively reviewed by BankAtlantic for impairment include residential and consumer loans and performing commercial real estate and business loans under $500,000, excluding loans which are individually reviewed based on specific criteria, such as delinquency and condition of collateral property. Generally, BankAtlantic recognizes interest income on impaired loans on a cash basis.

ALLOWANCE FOR LOAN LOSSES -- BankAtlantic follows a consistent procedural discipline and accounts for loan loss contingencies in accordance with Statement of Financial Accounting Standards No. 5, "ACCOUNTING FOR CONTINGENCIES" ("Statement 5"). The following is a description of how each portion of the allowance for loan losses is determined.





1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

BankAtlantic segregates the loan portfolio for loan loss purposes into broad segments, such as: commercial real estate; residential real estate; commercial business; and various types of consumer loans. BankAtlantic provides for a general allowance for losses inherent in the portfolio by the above categories, which consists of two components. General loss percentages are calculated based upon historical analyses. A supplemental portion of the allowance is calculated for inherent losses which probably exist as of the evaluation date even though they might not have been identified by the more objective processes used for the portion of the allowance described above. This is due to the risk of error and/or inherent imprecision in the process. This portion of the allowance is particularly subjective and requires judgments based on qualitative factors which do not lend themselves to exact mathematical calculations such as: trends in delinquencies and nonaccruals; migration trends in the portfolio; trends in volume, terms and portfolio mix; new credit products and/or changes in the geographic distribution of these products; changes in lending policies and procedures; loan review reports on the efficacy of the risk identification process; changes in the outlook for local, regional and national economic conditions; concentrations of credit; and peer group comparisons.

Specific allowances are provided in the event that the specific collateral analysis on each classified loan indicates that the probable loss upon liquidation of collateral would be in excess of the general percentage allocation. The provision for loan loss is increased or decreased in order to adjust the allowance for loan losses to the required level as determined above.

A loan is impaired when collection of principal and interest based on the contractual terms of the loan is not probable. BankAtlantic measures impairment based on (a) the present value of the expected future cash flows of the impaired loan discounted at the loan's original effective interest rate, (b) the observable market price of the impaired loans, or (c) the fair value of the collateral of a collateral-dependent loan. BankAtlantic selects the measurement method on a loan-by-loan basis, except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral. Specific allowances are provided, as noted above, in the event the impairment calculation is in excess of the general allowance allocation. In a troubled debt restructuring, BankAtlantic measures impairment by discounting the total expected future cash flows at the loan's original effective rate of interest.

Although BankAtlantic believes it has a sound basis for estimating the adequacy of the allowance for loan losses, actual charge-offs incurred in the future are highly dependent upon future events, including the economic of the areas in which BankAtlantic lends. In addition, various regulatory agencies, as an integral part of their examination process, periodically review BankAtlantic's allowance for loan losses. Such agencies may require BankAtlantic to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

LOANS AVAILABLE FOR SALE -- Residential first mortgage loans available for sale are reported at the lower of cost or estimated aggregate fair value. Loan origination fees and related direct loan origination costs for these loans are deferred until the related loan is sold.

LOAN ORIGINATION AND COMMITMENT FEES, PREMIUMS AND DISCOUNTS ON LOANS AND MORTGAGE BANKING ACTIVITIES -- Origination and commitment fees collected are deferred net of direct costs and are being amortized to interest income over the loan life using the level yield method. Amortization of deferred fees is discontinued when the related loan is placed on non-accrual status. Commitment fees related to expired commitments are recognized as income when the commitment expires.





1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Unearned discounts on installment, second mortgage and home improvement loans are amortized to income using the level yield method over the terms of the related loans. Unearned discounts on purchased loans are amortized to income using the level yield method over the estimated life of the loans.

LOAN SERVICING FEES --BankAtlantic services mortgage loans for its own account and for investors. Mortgage loans serviced for investors are not included in the accompanying consolidated statements of financial condition. Loan servicing fees are based on a stipulated percentage of the outstanding loan principal balances being serviced and are recognized as income when related loan payments from mortgagors are collected. Loan servicing costs are charged to expense as incurred. BankAtlantic recognizes as an asset the right to service mortgage loans whether such servicing rights are purchased or originated. Originated servicing rights are measured at the date of sale based on the relative fair value of the servicing rights and related loans. Mortgage servicing rights ("MSR") are stated at the lower of amortized cost or fair value. The amortization of MSR are on an individual loan basis. Both purchased and originated MSR are amortized to expense using the level yield method over the estimated life of the loan and continually adjusted for prepayments. For the purpose of evaluating and measuring impairment of MSR, and determining the amount of any valuation allowance, BankAtlantic stratifies those rights based on the predominant risk characteristics of the underlying loans. Those characteristics include loan type, note rate and term. Adjustments to the valuation allowance are reflected in operations.

DEALER RESERVES, NET -- The dealer reserve receivable represents the portion of interest rates passed through to dealers on indirect consumer loans. BankAtlantic funds 100% of the dealer reserves at the inception of the loan. Dealer reserves are amortized over the contractual life of the related loans, adjusted for actual prepayments and losses, using the interest method and classified as an adjustment to interest income except for the Subject Portfolio discussed further in Note 17 herein. Dealer reserves are stated net of accumulated amortization, allowances, and any unfunded amounts due to the dealer.

REAL ESTATE HELD FOR DEVELOPMENT AND SALE -- Real estate held for development and sale includes land held for development and land held for sale. Costs clearly associated with the development of a specific parcel are capitalized as a cost of that parcel. Land and indirect land development costs are allocated to the various parcels based upon the relative sales value method. Real estate held for sale is stated at the lower of carrying amount or fair value less cost to sell. Real estate held for development is evaluated for impairment based upon the undiscounted future cash flows of the property compared to the carrying value of the property. If the undiscounted future cash flows are lower than the carrying value of the property, a valuation allowance is established for the difference between the carrying amount of the parcel and the fair value of the parcel, less cost to sell. The fair value of real estate is evaluated based on existing and anticipated market conditions. The evaluation takes into consideration the current status of the property, various restrictions, carrying costs, costs of disposition and any other circumstances which may affect estimated fair value.

REAL ESTATE OWNED ("REO") -- REO is recorded at the lower of the loan balance, plus acquisition costs, or fair value, less estimated disposition costs. Expenditures for capital improvements made thereafter are generally capitalized. Real estate acquired in settlement of loans are anticipated to be sold and valuation allowance adjustments are made to reflect any subsequent changes in fair values from the initially recorded amount. Costs of holding REO are charged to operations as incurred. Provisions and reversals in the REO valuation allowance are reflected in operations.





1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Profit or loss on real estate sold includes both REO and real estate held for development and sale and is recognized in accordance with Statement of Financial Accounting Standard No. 66, "ACCOUNTING FOR SALES OF REAL ESTATE".

Any estimated loss is recognized in the period in which it becomes apparent.

IMPAIRMENT -- Long-lived assets, assets to be disposed of, and certain identifiable intangibles to be held and used by an entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets, assets to be disposed of, and identifiable intangibles that an entity expects to hold and use is based on the fair value of the asset.

OFFICE PROPERTIES AND EQUIPMENT -- Land is carried at cost. Office properties and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which generally range up to 50 years for buildings and 3-10 years for equipment. The cost of leasehold improvements is being amortized using the straight-line method over the terms of the related leases.

Expenditures for new properties and equipment and major renewals and betterments are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred and gains or losses on disposal of assets are reflected in current operations.

COST OVER FAIR VALUE OF NET ASSETS ACQUIRED AND OTHER INTANGIBLE ASSETS -- Cost over fair value of assets acquired is being amortized on a straight-line basis over its estimated useful life of 10-15 years. A non-competition agreement is being amortized on a straight-line basis over its useful life of approximately three years. Cost over fair value of net assets acquired and other intangible assets is evaluated by management for impairment on an annual basis based upon undiscounted cash flows of the related net assets acquired.

INCOME TAXES -- The Company and its subsidiaries file consolidated federal and state income tax returns. The Company utilizes the asset and liability method to account for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the statutory enactment date. A deferred tax asset valuation allowance is recorded when it is more likely than not that deferred tax assets will not be utilized.

PREFERRED STOCK -- All three Series of preferred stock originally issued by BankAtlantic had a preference value of $25.00 per share and the shares issued were redeemable by BankAtlantic at $25.00 per share. In October 1995, all preferred stock was redeemed. For purposes of calculating income per common share, the excess of the redemption price above the recorded amount was considered a preferred stock dividend.

STOCK SPLIT -- On January 15, 1998, the Company's Board of Directors approved a five for four common stock split effected in the form of a 25% common stock dividend, payable in Class A common





stock to both Class A and Class B common shareholders of record at the close of business on February 4, 1998. The common stock dividend was issued on February 18, 1998. When appropriate, amounts throughout the report have been adjusted to reflect the stock dividend.

DERIVATIVE INSTRUMENTS -- The Company does not purchase, sell or enter into derivative financial instruments or derivative commodity instruments as defined by Statement of Financial Accounting Standards No. 119, "DISCLOSURES ABOUT DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS" other than fixed rate loan commitments which were $83.9 million at December 31, 1997, which the Company believes are at market value.

EARNINGS PER COMMON SHARE -- In February 1997 the FASB issued Statement of Financial Accounting Standards No. 128 ("FAS 128") EARNINGS PER SHARE ("EPS"). This statement is effective for periods ending after December 15, 1997 and requires the restatement of all prior periods. FAS 128 replaced primary and fully diluted earnings per share with basic and diluted earnings per share. The statement also requires the two-class method for companies with capital structures which includes a class of common stock with different dividends rates from another class of common stock. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared and each class of common stock's rights to undistributed earnings. Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if options, convertible securities or warrants to issue common shares were exercised. In calculating diluted income per share interest expense net of taxes on convertible securities is added back to net income, with the resulting amount divided by the weighted average number of dilutive common shares outstanding, when dilutive. Common stock options, warrants and convertible securities, if dilutive, are considered in the weighted average number of dilutive common shares outstanding. The options and warrants are included in the weighted average number of dilutive common shares outstanding based on the treasury stock method.

STOCK BASED COMPENSATION PLANS -- The Company maintains both qualifying and non-qualifying stock-based compensation plans for its employees and directors. The Company has elected to account for its employee stock-based compensation plans under APB No. 25.

NEW ACCOUNTING PRONOUNCEMENTS -- In June 1997 the FASB issued Statements No. 130 ("FAS 130") "REPORTING COMPREHENSIVE INCOME" and No. 131 ("FAS 131") "DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION". FAS 130 establishes standards for reporting comprehensive income in financial statements. This statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Some of the items included in comprehensive income are unrealized gains or losses on securities available for sale, underfunded pension obligations and employee stock options. FAS 131 establishes standards for the manner in which public companies report information about operating segments in annual financial statements and requires that those companies report selected information about operating segments in interim financial statements issued to shareholders. FAS 130 and FAS 131 are effective for periods beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comparative purposes is required. Implementation of FAS 130 and FAS 131 will require additional disclosures in the 1998 financial statements but will not have an impact on the Company's Statement of Financial Condition or Statement of Operations.





2. EARNINGS PER SHARE

The following reconciles the numerators and denominators of the basic and diluted earnings per share computations.

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | | |
|---|---|---|---|
| | CLASS A | CLASS B | TOTAL |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA AND PERCENTAGES) | | |
| <S> | <C> | <C> | <C> |
| BASIC NUMERATOR | | | |
| Actual dividends declared ............... | $ 1,365 | $ 1,244 | $ 2,609 |
| Basic allocated undistributed earnings (2) ........................... | 16,371 | 8,789 | 25,160 |
| Allocated net income available for common shareholders .................... | $ 17,736 | $ 10,033 | $27,769 |
| BASIC DENOMINATOR | | | |
| Weighted average shares outstanding....... | 18,029,784 | 10,649,135 | |
| Allocation percentage (2) ............... | 65.06% | 34.94% | |
| Basic earnings per share ................ | $ 0.98 | $ 0.94 | |
| DILUTED NUMERATOR | | | |
| Actual dividends declared ............... | $ 1,365 | $ 1,244 | $ 2,609 |
| Basic allocated undistributed earnings (2) ........................... | 16,371 | 8,789 | 25,160 |
| Reallocation of basic undistributed earnings due to change in allocation percentage ............................ | 1,815 | (1,815) | 0 |
| Diluted allocated undistributed earnings ............................... | 18,186 | 6,974 | 25,160 |
| Interest expense on convertible debt ..... | 2,091 | 802 | 2,893 |
| Allocated dilutive net income available to common shareholders ........ | $ 21,642 | $ 9,020 | $30,662 |
| DILUTED DENOMINATOR | | | |
| Basic weighted average shares outstanding ............................ | 18,029,784 | 10,649,135 | |
| Convertible debentures (3) .............. | 9,513,000 | 0 | |
| Options (4) ............................. | 350,750 | 1,105,287 | |
| Warrants (4) ............................ | 0 | 10,963 | |
| Diluted weighted average shares outstanding ..................... | 27,893,534 | 11,765,385 | |
| Allocation percentage (2) ............... | 72.28% | 27.72% | |

| | | |
|---|---|---|
| Diluted earnings per share .............. | $ 0.78 | $ 0.77 |

<CAPTION>

| | DECEMBER 31, 1996 | | | DECEMBER 31, 1995 |
|---|---|---|---|---|
| | CLASS A | CLASS B | TOTAL | TOTAL (1) |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA AND PERCENTAGES) | | | |
| <S> | <C> | <C> | <C> | <C> |
| BASIC NUMERATOR | | | | |
| Actual dividends declared ................ | $ 460 | $ 1,699 | $ 2,159 | $ 1,740 |
| Basic allocated undistributed earnings (2) ........................... | 10,897 | 5,955 | 16,852 | 14,649 |
| Allocated net income available for common shareholders ..................... | $ 11,357 | $ 7,654 | $19,011 | $ 16,389 |
| BASIC DENOMINATOR | | | | |
| Weighted average shares outstanding....... | 17,616,000 | 10,589,000 | | 25,411,604 |
| Allocation percentage (2) ............... | 64.66% | 35.34% | | N/A |
| Basic earnings per share ................ | $ 0.64 | $ 0.72 | | $ 0.64 |
| DILUTED NUMERATOR | | | | |
| Actual dividends declared ................ | $ 460 | $ 1,699 | $ 2,159 | $ 1,740 |
| Basic allocated undistributed earnings (2) ........................... | 10,897 | 5,955 | 16,852 | 14,649 |
| Reallocation of basic undistributed earnings due to change in allocation percentage .............................. | 467 | (467) | 0 | 0 |
| Diluted allocated undistributed earnings ................................ | 11,364 | 5,488 | 16,852 | 14,649 |
| Interest expense on convertible debt ..... | 984 | 471 | 1,455 | 0 |
| Allocated dilutive net income available to common shareholders ........ | $ 12,808 | $ 7,658 | $20,466 | $ 16,389 |
| DILUTED DENOMINATOR | | | | |
| Basic weighted average shares outstanding ............................ | 17,616,000 | 10,589,000 | | 25,411,604 |
| Convertible debentures (3) .............. | 4,352,058 | 0 | | 0 |
| Options (4) .............................. | 0 | 976,537 | | 886,126 |
| Warrants (4) ............................ | 0 | 10,963 | | 144,172 |
| Diluted weighted average shares outstanding ..................... | 21,968,058 | 11,576,500 | | 26,441,902 |
| Allocation percentage (2) ............... | 67.61% | 32.39% | | N/A |
| Diluted earnings per share .............. | $ 0.58 | $ 0.66 | | $ 0.62 |

</TABLE>

- ----------------

(1) Prior to 1996 there were no Class A common shares outstanding. All shares outstanding in 1995 were what are now identified as Class B common shares.

(2) The Company calculates earnings per share on Class A and Class B common shares under the "two class method". Under the "two class method", net income available to common shareholders is allocated to Class A and Class B common shares first by actual cash dividends paid for actual shares outstanding during the period and secondly, through the allocation of undistributed earnings. Since Class A common shareholders are entitled to receive cash dividends equal to at least 110% of any cash dividend declared and paid on Class B common shares, undistributed earnings are allocated to Class A and Class B shares on a 110 to 100 basis, respectively, based upon the ratio of the weighted average number of shares for each class outstanding during the period to total shares (allocation percentage). Because the allocation percentage for each class differs for basic and diluted EPS purposes, allocated undistributed earnings differs for such calculations. Outstanding shares during the period are retroactively restated for stock splits declared in subsequent periods. The impact of retroactively restating Class A common stock outstanding during each period for Class A common stock issued to Class B common shareholders in stock splits is to change the allocation percentage for undistributed earnings that was originally utilized in the calculation of EPS in prior periods such that the ratio of Class A EPS declines in relation to Class B EPS for such restated periods.

(3) For purposes of computing diluted earnings per share, convertible debentures are assumed to be converted into common shares at the beginning of the period or from the point at which such debentures were outstanding.

(4) The number of options and warrants considered outstanding shares for diluted earnings per share is based upon application of the treasury stock method to such instruments outstanding as of December 31.

3. SECURITIES AVAILABLE-FOR-SALE AND HELD-TO-MATURITY

Effective December 15, 1995 all mortgage-backed and investment securities, excluding tax certificates then classified as held-to-maturity were reclassified as available for sale. On the effective date of the reclassification, the securities transferred had a carrying value of $638.8 million and an estimated fair value of $644.1 million resulting in a net increase to stockholders' equity for the net unrealized appreciation of $3.3 million after deducting applicable income taxes of $1.2 million.

The following summarizes securities available-for-sale and held-to-maturity (in thousands):

| DECEMBER 31, 1997 | AVAILABLE FOR SALE AMORTIZED COST | GROSS UNREALIZED APPRECIATION | GROSS UNREALIZED DEPRECIATION | ESTIMATED FAIR VALUE |
|---|---|---|---|---|
| MORTGAGE-BACKED SECURITIES (1): | | | | |
| FNMA mortgage backed securities ....... | $206,980 | $ 839 | $ 81 | $207,738 |
| FHLMC mortgage backed securities ...... | 367,787 | 797 | 205 | 368,379 |
| Total mortgage-backed securities ..... | 574,767 | 1,636 | 286 | 576,117 |
| INVESTMENT SECURITIES: | | | | |
| FHLB Bonds ............................ | 10,000 | 4 | 0 | 10,004 |
| Asset-backed securities ............... | 3,194 | 0 | 18 | 3,176 |
| U.S. Treasury Notes ................... | 9,959 | 91 | 0 | 10,050 |
| Corporate Bonds ....................... | 2,360 | 0 | 290 | 2,070 |
| Equity securities ..................... | 5,122 | 456 | 415 | 5,163 |
| Other ................................. | 910 | 0 | 0 | 910 |
| Total investment securities .......... | 31,545 | 551 | 723 | 31,373 |
| Total .............................. | $606,312 | $2,187 | $1,009 | $607,490 |

| DECEMBER 31, 1996 | AVAILABLE FOR SALE AMORTIZED COST | GROSS UNREALIZED APPRECIATION | GROSS UNREALIZED DEPRECIATION | ESTIMATED FAIR VALUE |
|---|---|---|---|---|
| MORTGAGE-BACKED SECURITIES (2): | | | | |
| FNMA mortgage backed securities ....... | $ 95,180 | $ 822 | $ 172 | $ 95,830 |
| FHLMC mortgage backed securities ...... | 191,462 | 443 | 708 | 191,197 |
| FNMA real estate mortgage investment conduits ................ | 5,201 | 352 | 2 | 5,551 |
| FHLMC real estate mortgage investment conduits ................ | 2,046 | 139 | 23 | 2,162 |
| Total mortgage-backed securities ..... | 293,889 | 1,756 | 905 | 294,740 |
| INVESTMENT SECURITIES: | | | | |
| FHLB Bonds ............................ | 15,406 | 150 | 34 | 15,522 |
| FHLMC Bond ............................ | 1,843 | 102 | 0 | 1,945 |
| FNMA Bond ............................. | 6,762 | 57 | 0 | 6,819 |
| Asset-backed securities ............... | 28,943 | 89 | 65 | 28,967 |
| U.S. Treasury Notes ................... | 91,284 | 83 | 15 | 91,352 |
| Total investment securities .......... | 144,238 | 481 | 114 | 144,605 |
| Total .............................. | $438,127 | $2,237 | $1,019 | $439,345 |

(1) The estimated fair value of pledged collateral was $4.9 million, $5.9 million, $65.4 million and $23.9 million for commercial letters of credit, treasury tax and loan, repurchase agreements and public funds, respectively.
(2) The estimated fair value of pledged collateral was $4.1 million, $5.9 million, $214.2 million and $18.7 million for commercial letters of credit, treasury tax and loan, repurchase agreements and public funds, respectively.





3. SECURITIES AVAILABLE-FOR-SALE AND HELD-TO-MATURITY--(CONTINUED)

Included in the December 31, 1996 tables are approximately $14.7 million (at market) of government agency bonds and real estate mortgage conduits which were acquired during the MegaBank acquisition, and are adjustable rate securities tied to various short term and long term indices. The above securities were sold during 1997.

The maturities of mortgage-backed and investment securities available for sale were (in thousands):

| DECEMBER 31, 1997 | AVAILABLE FOR SALE AMORTIZED COST | AVAILABLE FOR SALE FAIR ESTIMATED VALUE |
|---|---|---|
| Due within one year | $ 36,668 | $ 36,686 |
| Due after one year, but within five years | 307,259 | 308,158 |
| Due after five years, but within ten years | 2,971 | 2,707 |
| Due after ten years | 259,414 | 259,939 |
| Total | $606,312 | $607,490 |

| | HELD TO MATURITY AMORTIZED COST | GROSS UNREALIZED APPRECIATION | GROSS UNREALIZED DEPRECIATION | FAIR ESTIMATED VALUE |
|---|---|---|---|---|
| DECEMBER 31, 1997 | | | | |
| Tax certificates -- net of allowance of $949 (1) | $55,213 | $0 | $0 | $55,213 |
| DECEMBER 31, 1996 | | | | |
| Tax certificates -- net of allowance of $1,466(1) | $54,511 | $0 | $0 | $54,511 |

- ----------------
(1) Management considers estimated fair value equivalent to book value for tax certificates since these securities have no readily traded market.

The maturities of tax certificates held to maturity were (in thousands):

| DECEMBER 31, 1997 | BOOK VALUE | ESTIMATED FAIR VALUE |
|---|---|---|
| Due in one year or less | $38,448 | $38,448 |
| Due after one year through five years | 16,765 | 16,765 |
| Due after five years through ten years | 0 | 0 |
| Total | $55,213 | $55,213 |

Tax certificates represent a priority lien against real property for which assessed real estate taxes are delinquent. BankAtlantic's experience with this type of investment has been favorable as rates earned are generally higher than many alternative investments and substantial repayment occurs over a two year period. The primary risks BankAtlantic has experienced with tax certificates have related to the risk that additional funds may be required to purchase other certificates related to the property, the risk that the liened property may be unusable and the risk that potential environmental concerns may make taking title to the property untenable. See Note 6 for activity in the allowance for tax certificate losses.





3. SECURITIES AVAILABLE-FOR-SALE AND HELD-TO-MATURITY--(CONTINUED)

During the year ended December 31, 1995, $253,000 of Federal Reserve stock and $599,000 of GNMA mortgage-backed securities classified as available for sale were sold. During the year ended December 31, 1996, BankAtlantic sold $136.6 million of adjustable rate mortgage-backed securities, $20.5 million of 15 year mortgage-backed securities, $5.9 million of seven year balloon mortgage-backed securities and $205.5 million of treasury notes for gains of $6.0 million. During the year ended December 31, 1997, BankAtlantic sold $231.0 million of U.S. Treasury notes, $66.0 million of seven year balloon mortgage-backed securities, $28.1 million of five year balloon mortgage-backed securities, $9.4 million of adjustable rate mortgage-backed securities, $7.6 million of federal agency obligations, $6.4 million of 30 year mortgage-backed securities, $5.9 million of real estate mortgage investment conduits and $1.1 million of 15 year mortgage-backed securities for gains of $2.4 million. There were no gains during 1995 and no losses during 1996 and 1997.

During the year ended December 31, 1995, BankAtlantic sold two treasury notes acquired through the exercise of European put options during 1994 for a $589,000 realized gain. During the year ended December 31, 1997, the Company purchased $6.2 million of marketable equity trading securities and sold $2.9 million of these trading securities for a $699,000 realized gain. The unrealized gain on trading securities at December 31, 1997 was $1.8 million.

During the year ended December 31, 1997, the ending balance, maximum amount of repurchase agreements outstanding at any month end and the average amount invested for the year was zero, zero and $2.9 million, respectively. The average yield on repurchase agreements during 1997 was 5.45%. During the year ended December 31, 1996, the ending balance, maximum amount of repurchase agreements outstanding at any month end and the average amount invested for the year was zero, zero and $1.9 million, respectively. The average yield on repurchase agreements during 1996 was 5.47%. BankAtlantic did not invest in repurchase agreements during 1995. The underlying securities were in the possession of BankAtlantic. During the years ended December 31, 1997 and 1996 BankAtlantic sold Federal Funds. The outstanding balances at December 31, 1997 and 1996, of Federal Funds sold was zero and $6.1 million, respectively. The maximum amount of Federal Funds sold which were outstanding at any month end and the average amount invested for the years ended December 31, 1997 and 1996 were $12.4 million and $1.4 million and $16.0 million and $11.0 million, respectively.





4. LOANS RECEIVABLE

Loans receivable net were:

<TABLE>
<CAPTION>

| <S> | DECEMBER 31, 1997 <C> | DECEMBER 31, 1996 <C> |
|---|---|---|
| | (IN THOUSANDS) | |
| Real estate loans: | | |
| Residential | $ 37,813 | $ 438,359 |
| Purchased residential | 772,932 | 428,722 |
| Residential available for sale (market value of $164,153 and $16,535) | 161,562 | 16,207 |
| Construction and development | 325,951 | 301,813 |
| FHA and VA insured | 1,025 | 4,013 |
| Commercial | 396,357 | 427,235 |
| Other loans: | | |
| Second mortgages -- direct | 65,810 | 86,234 |
| Second mortgages -- indirect | 12,461 | 9,894 |
| Commercial business | 55,615 | 78,177 |
| Due from foreign banks | 12,256 | 0 |
| Banker's acceptances | 160,105 | 207 |
| Deposit overdrafts | 1,211 | 2,434 |
| Consumer loans -- other direct | 50,347 | 74,072 |
| Consumer loans -- other indirect | 204,689 | 172,056 |
| Total gross loans | 2,258,134 | 2,039,423 |
| Adjustments: | | |
| Undisbursed portion of loans in process | 163,237 | 190,874 |
| Unearned premiums | (7,047) | (2,762) |
| Unearned discounts on commercial real estate loans | 669 | 705 |
| Allowance for loan losses | 28,450 | 25,750 |
| Loans receivable -- net | $2,072,825 | $1,824,856 |

</TABLE>

BankAtlantic is subject to economic conditions which could adversely affect both the performance of the borrower or the collateral securing the loan. At December 31, 1997, 55% of total aggregate outstanding loans were to borrowers in Florida, 10% of total loans were to borrowers in the Northeastern United States 13% of the total loans were to borrowers in California, and 22% were to borrowers located elsewhere. Additionally, deferred loan fees netted against loan balances were $3.6 million and $1.5 million at December 31, 1997 and 1996, respectively. Commitments to sell residential mortgage loans were $11.9 million and $7.3 million at December 31, 1997 and 1996, respectively. Variable rate commitments to sell residential mortgage loans were $832,000 and $153,000, whereas, fixed rate commitments to sell residential mortgage loans were $11.1 million and $7.1 million at December 31, 1997 and 1996, respectively. Such residential mortgage loan sales related to loans originated for sale. Included in other assets was $10.4 million and $9.1 million of prepaid dealer reserves at December 31, 1997 and 1996, respectively. The market value of loans available for sale was determined on an aggregate basis. Management transferred certain residential loans to the available for sale category in order to control the overall interest rate risk of the loan portfolio.

4. LOANS RECEIVABLE--(CONTINUED)

Activity in the allowance for loan losses was (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| Balance, beginning of period | $ 25,750 | $ 19,000 | $ 16,250 |
| Charge-offs: | | | |
| Commercial business loans | (180) | (1,048) | (382) |
| Commercial real estate loans | (276) | (266) | (222) |
| Consumer loans | (10,694) | (6,337) | (4,566) |
| Residential real estate loans | (76) | (67) | (263) |
| Purchased residential real estate loans | (104) | 0 | 0 |
| | (11,330) | (7,718) | (5,433) |
| Recoveries: | | | |
| Commercial business loans | 301 | 518 | 738 |
| Commercial real estate loans | 208 | 47 | 102 |
| Consumer loans | 2,253 | 1,659 | 1,219 |
| Net charge-offs | (8,568) | (5,494) | (3,374) |
| Additions charged to operations | 11,268 | 5,844 | 4,182 |
| Allowance for loan losses acquired | 0 | 6,400 | 1,942 |
| Balance, end of period | $ 28,450 | $ 25,750 | $ 19,000 |
| Average outstanding loans during the period | $1,940,060 | $1,177,334 | $750,058 |
| Average outstanding banker's acceptances during the period | $ 7,966 | $ 329 | $ 0 |
| Ratio of net charge-offs to average outstanding loans | 0.44% | 0.47% | 0.45% |
| Ratio of net charge-offs to average outstanding loans including banker's acceptances | 0.44% | 0.47% | 0.45% |

</TABLE>

Aggregate loans to and repayments of loans by directors, executive officers, principal stockholders and other related interests for the years ended December 31, 1997 and 1996 were (in thousands):

<TABLE>
<CAPTION>

| BALANCE AT DECEMBER 31, 1995 | ADDITIONS | DELETIONS | BALANCE AT DECEMBER 31, 1996 | ADDITIONS | DELETIONS | BALANCE AT DECEMBER 31, 1997 |
|---|---|---|---|---|---|---|
| $937 | 24 | 594 | 367 | 86 | 68 | $385 |

</TABLE>





4. LOANS RECEIVABLE--(CONTINUED)

Accrued interest receivable consisted of (in thousands):

| | DECEMBER 31, | |
|---|---|---|
| | 1997 | 1996 |
| Loans receivable | $14,432 | $13,713 |
| Investment securities held to maturity | 3,828 | 3,705 |
| Securities available for sale | 4,364 | 3,337 |
| | $22,624 | $20,755 |

5. MORTGAGE SERVICING RIGHTS

At December 31, 1997, 1996 and 1995 BankAtlantic serviced loans for the benefit of others amounting to approximately $2.9 billion, $2.7 billion, and $1.8 billion, respectively. At December 31, 1997 and 1996 other liabilities includes approximately $10.3 million and $7.7 million, respectively, of loan payments due to others. Activity in mortgage servicing rights was (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Balance, beginning of period ............ | $ 25,002 | $ 20,738 | $ 20,584 |
| Mortgage servicing rights acquired in BNA acquisition ............................. | 0 | 4,047 | 0 |
| Servicing rights originated ............. | 1,668 | 311 | 0 |
| Servicing rights purchased .............. | 45,840 | 27,681 | 10,112 |
| Servicing rights sold ................... | (25,511) | (20,926) | (5,596) |
| Amortization of servicing rights ........ | (8,210) | (6,849) | (4,362) |
| Balance, end of period .................. | $ 38,789 | $ 25,002 | $ 20,738 |

</TABLE>

The fair value of the MSR at December 31, 1997 was estimated at $42.7 million. Upon implementation of FAS 122 on January 1, 1996, no additional valuation allowance was required. The fair value was calculated using market prepayment assumptions and discount rates.

6. RISK ELEMENTS

Risk elements consist of non-accrual loans, non-accrual tax certificates, restructured loans, past-due loans, REO, repossessed assets, and other loans which management has doubts about the borrower's ability to comply with the contractual repayment terms. Non-accrual loans are loans on which interest recognition has been suspended because of doubts as to the borrower's ability to repay principal or interest. Non-accrual tax certificates are tax deeds or securities in which interest recognition has been suspended due to the aging of the certificate or deed. Restructured loans include loans for which the terms have been altered to provide a reduction or deferral of interest or principal because of a deterioration in the borrower's financial position. BankAtlantic did not have any commitments outstanding to lend additional funds on restructured loans at December 31, 1997 and 1996.





6. RISK ELEMENTS--(CONTINUED)

Risk elements were (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Non-accrual -- tax certificates .......................... | $ 880 | $ 1,835 | $ 2,044 |
| Non-accrual -- loans, net of specific allowances ......... | 17,569 | 12,424 | 11,174 |
| Loans contractually past due 90 days or more (1) ......... | 647 | 2,961 | 1,536 |
| Real estate owned, net of allowance ...................... | 7,528 | 4,918 | 6,279 |
| Other repossessed assets ................................. | 2,912 | 1,992 | 461 |
| Total non-performing ................................... | 29,536 | 24,130 | 21,494 |
| Restructured ............................................. | 4,043 | 3,718 | 2,533 |
| Total risk elements .................................... | $33,579 | $27,848 | $24,027 |
| Allowance for tax certificate losses ..................... | $ 949 | $ 1,466 | $ 1,648 |
| Allowance for loan losses ................................ | $28,450 | $25,750 | $19,000 |

</TABLE>

- ----------------
(1) The majority of these loans have matured and the borrower continues to make the payments under the matured loan agreement. BankAtlantic is in the process of renewing or extending these matured loans.

The following summarizes impaired loans (in thousands):

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | | DECEMBER 31, 1996 | |
|---|---|---|---|---|
| | GROSS RECORDED INVESTMENT | SPECIFIC ALLOWANCES | GROSS RECORDED INVESTMENT | SPECIFIC ALLOWANCES |
| <S> | <C> | <C> | <C> | <C> |
| Nonaccrual loans: | | | | |
| With specific allowances ............... | $ 2,491 | $1,117 | $ 1,047 | $350 |
| Without specific allowances ............ | 16,195 | 0 | 11,727 | 0 |

| | | | | |
|---|---|---|---|---|
| | 18,686 | 1,117 | 12,774 | 350 |
| Restructured loans: | | | | |
| Without specific allowances ........... | 4,043 | 0 | 3,718 | 0 |
| Other impaired loans: | | | | |
| Other impaired commercial loans with specific allowances (1) ......... | 1,038 | 539 | 977 | 514 |
| Other impaired commercial loans without specific allowances .......... | 647 | 0 | 2,961 | 0 |
| Total ................................ | $24,414 | $1,656 | $20,430 | $864 |

</TABLE>

- ----------------

(1) These loans are not included in risk elements, since subsequent to the date of impairment these loans have performed based on their contractual terms.

Recorded investment of impaired loans reflects direct deferrals of interest of zero, $240,000, and $480,000 at December 31, 1997, 1996 and 1995, respectively.

There was no net interest forgone related to restructured loans at December 31, 1997, 1996 and 1995. Interest income of $799,000 and $336,000 was recognized on restructured loans during 1997 and 1996, respectively.





6. RISK ELEMENTS--(CONTINUED)

The average net recorded investment in impaired loans for the years ended December 31, 1997, 1996 and 1995 was $20.2 million, $15.4 million and $16.4 million, respectively. Interest income which would have been recorded under the contractual terms of impaired loans and the interest income actually recognized was (in thousands):

<TABLE>
<CAPTION>

| <S> | 1997 <C> | 1996 <C> | 1995 <C> |
|---|---|---|---|
| Interest income which would have been recorded .......... | $ 2,487 | $1,795 | $1,662 |
| Interest income recognized .............................. | (1,548) | (988) | (788) |
| Interest income forgone ................................. | $ 939 | $ 807 | $ 874 |

</TABLE>

The components of "Foreclosed asset activity, net" were (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| <S> | 1997 <C> | 1996 <C> | 1995 <C> |
| Real estate acquired in settlement of loans: | | | |
| Operating expenses, net ................... | $ 528 | $ 47 | $ 41 |
| Reversals of losses on REO ................ | (56) | (197) | (1,187) |
| Net gains on sales ........................ | (354) | (575) | (2,032)(A) |
| Total (income) loss ...................... | $ 118 | $ (725) | $ (3,178) |

</TABLE>

- ----------------

(A) Includes a $1.3 million gain related to a property originally acquired through tax deed.

Activity in the allowance for real estate owned consisted of (in thousands):

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| Balance, beginning of period ......... | $1,800 | $2,800 | $ 4,200 |
| Charge-offs: | | | |
| Commercial real estate ............. | 0 | (781) | (213) |
| Residential real estate ............ | (244) | (22) | 0 |
| | (244) | (803) | (213) |
| Reversals of losses on REO .......... | (56) | (197) | (1,187) |
| Balance, end of period .............. | $1,500 | $1,800 | $ 2,800 |

6. RISK ELEMENTS--(CONTINUED)

Activity in the allowance for tax certificate losses was: (in thousands)

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | 1996 | 1995 |
|---|---|---|---|
| Balance, beginning of period ........... | $ 1,466 | $1,648 | $ 2,985 |
| Charge-offs ............................ | (1,444) | (909) | (1,854) |
| Recoveries ............................. | 1,025 | 911 | 662 |
| Net recoveries (charge-offs) ........... | (419) | 2 | (1,192) |
| Reversals charged to operations ......... | (98) | (184) | (145) |
| Balance, end of period ................. | $ 949 | $1,466 | $ 1,648 |

7. OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment was comprised of (in thousands):

| | DECEMBER 31, 1997 | 1996 |
|---|---|---|
| Land ........................................ | $12,112 | $12,115 |
| Building and improvements ..................... | 46,384 | 42,593 |
| Furniture and equipment ....................... | 25,921 | 26,257 |
| Total ....................................... | 84,417 | 80,965 |
| Less accumulated depreciation ................. | 33,287 | 32,691 |
| Office properties and equipment -- net ......... | $51,130 | $48,274 |

Properties with a net book value of $4.0 million at December 1995, were leased to unrelated third parties. Capitalized improvements to the properties of $1.0 million were performed during the year ended December 31, 1996. These properties were sold for $8.1 million (net of selling costs) during 1996 for a net gain of $3.1 million. During 1997 land adjacent to the above properties with a net book value of $197,000 was sold for a net gain on $882,000.

Net rental income for each of the three years ended December 31, 1997 was zero, $368,000, and $343,000, respectively.





8. DEPOSITS

The weighted average nominal interest rate payable on deposit accounts at December 31, 1997 and 1996 was 3.70% and 3.78%, respectively. The stated rates and balances at which BankAtlantic paid interest on deposits were:

| | DECEMBER 31, 1997 AMOUNT | 1997 PERCENT | 1996 AMOUNT | 1996 PERCENT |
|---|---|---|---|---|
| | (DOLLARS IN THOUSANDS) | | | |
| Interest free checking ................ | $ 162,788 | 9.23% | $ 163,616 | 8.93% |
| Insured money fund savings 3.90% at December 31, 1997, 3.76% at December 31, 1996 ........... | 289,413 | 16.41 | 358,927 | 19.58 |
| NOW accounts 2.20% at December 31, 1997, 1.60% at December 31, 1996 ........... | 223,679 | 12.68 | 216,587 | 11.82 |
| Savings accounts 2.04% at December 31, 1997, 1.30% at December 31, 1996 ........... | 262,685 | 14.90 | 170,352 | 9.29 |
| Total non-certificate accounts ......... | 938,565 | 53.22 | 909,482 | 49.62 |
| Certificate accounts: | | | | |
| 0.00% to 4.00% ....................... | 14,275 | 0.81 | 23,361 | 1.27 |

| | | | | |
|---|---|---|---|---|
| 4.01% to 5.00% | 37,803 | 2.14 | 275,991 | 15.06 |
| 5.01% to 6.00% | 184,800 | 10.48 | 478,148 | 26.09 |
| 6.01% to 7.00% | 493,845 | 28.00 | 112,865 | 6.16 |
| 7.01% and greater | 90,882 | 5.15 | 30,749 | 1.68 |
| Total certificate accounts | 821,605 | 46.58 | 921,114 | 50.26 |
| Total deposit accounts | 1,760,170 | 99.80 | 1,830,596 | 99.88 |
| Interest earned not credited to deposit accounts | 3,563 | 0.20 | 2,184 | 0.12 |
| Total | $1,763,733 | 100.00% | $1,832,780 | 100.00% |

</TABLE>

Interest expense by deposit category was (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | 1996 | 1995 |
|---|---|---|---|
| Money fund savings and NOW accounts | $14,020 | $12,154 | $11,591 |
| Savings accounts | 6,617 | 2,150 | 1,987 |
| Certificate accounts -- below $100,000 | 37,973 | 32,416 | 27,059 |
| Certificate accounts, $100,000 and above | 9,882 | 8,513 | 6,269 |
| Less early withdrawal penalty | (211) | (205) | (260) |
| Total | $68,281 | $55,028 | $46,646 |

</TABLE>

Included in other non-interest income is approximately $9.3 million, $8.6 million, and $7.0 million of checking account fees for years ended December 31, 1997, 1996 and 1995, respectively.





8. DEPOSITS--(CONTINUED)

At December 31, 1997, the amounts of scheduled maturities of certificate accounts were (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1998 | 1999 | 2000 | 2001 | 2002 | THEREAFTER |
|---|---|---|---|---|---|---|
| 0.00% to 4.00% | $ 12,336 | $ 1,740 | $ 76 | $ 42 | $ 72 | $ 9 |
| 4.01% to 5.00% | 37,530 | 204 | 16 | 53 | 0 | 0 |
| 5.01% to 6.00% | 172,410 | 10,051 | 1,164 | 871 | 116 | 188 |
| 6.01% to 7.00% | 434,702 | 38,736 | 8,124 | 5,103 | 6,597 | 583 |
| 7.01% and greater | 21,238 | 30,071 | 18,809 | 8,727 | 11,365 | 672 |
| Total | $678,216 | $80,802 | $28,189 | $14,796 | $18,150 | $1,452 |

</TABLE>

Time deposits of $100,000 and over had the following maturities at (in thousands):

| | DECEMBER 31, 1997 |
|---|---|
| Less than 3 months | $ 64,235 |
| 3 to 6 months | 34,123 |
| 6 to 12 months | 53,566 |
| More than 12 months | 24,338 |
| Total | $176,262 |

Currently, BankAtlantic does not obtain deposits from brokers. In November 1996, Merrill Lynch granted BankAtlantic a facility for broker deposits of up to $135.0 million. The facility will be considered as an alternative source of borrowings, when and if needed.





9. ADVANCES FROM FEDERAL HOME LOAN BANK AND FEDERAL FUNDS PURCHASED

Advances from Federal Home Loan Bank ("FHLB") incur interest and were repayable as follows (in thousands):

| REPAYABLE DURING YEAR ENDING DECEMBER 31, | INTEREST RATE | DECEMBER 31, 1997 | 1996 |
|---|---|---|---|
| 1997 | 5.50% to 7.73% | $ 0 | $119,965 |
| 1998 | 6.60% to 6.64% | 153,143 | 43,143 |
| 1999 | 6.00% to 6.83% | 56,393 | 42,892 |
| 2000 | 6.13% to 7.00% | 54,393 | 40,892 |
| 2001 | 6.29% to 7.09% | 37,778 | 33,118 |
| 2002 | 6.35% to 7.18% | 21,460 | 6,150 |
| 2003 | 7.24% to 7.25% | 9,540 | 9,540 |
| Total fixed rate advances | | 332,707 | 295,700 |
| 2002 | 5.68% to 6.20% | 175,000 | 0 |
| 2007 | 5.68% | 25,000 | 0 |
| Total callable advances | | 200,000 | 0 |
| 1998 | 5.78% to 5.91% | 165,000 | 0 |
| Total adjustable rate advances | | 165,000 | 0 |
| Total FHLB advances | | $697,707 | $295,700 |

Included in fixed rate advances at December 31, 1997 was $110.0 million of overnight advances. The December 1997 adjustable rate advances were indexed to the one and three month LIBOR rate. Callable advances give the FHLB the option to convert, at a specific date, in whole, into a three month Libor-based floating rate advance. BankAtlantic has established a blanket floating lien with the FHLB. Under the lien, BankAtlantic assigns a security lien against its residential loans. At December 31, 1997 and 1996, $891.9 million and $611.4 million of 1-4 family residential loans were pledged against FHLB advances. In addition, FHLB stock is pledged as collateral for outstanding FHLB advances. BankAtlantic has a $500 million line of credit with the FHLB with a maximum term of 10 years.

BankAtlantic established $35.0 million of lines of credit with five federally insured banking institutions for the purchase of Federal Funds. At December 31, 1997 and 1996, the outstanding balance of these lines of credit was $2.5 million and zero, respectively. The average balance outstanding during the years ended 1997 and 1996, of the Federal Funds purchased lines of credit was $1.9 million and $2.7 million, respectively. The maximum outstanding balance at any month end during 1997 and 1996 of the Federal Funds purchased lines of credit was $7.0 million and $16.0 million, respectively.





## 10. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase are summarized below (in thousands):

| | DECEMBER 31, 1997 | 1997 |
|---|---|---|
| Agreements to repurchase the same security | $ 0 | $143,377 |
| Customer repurchase agreements | 58,716 | 47,211 |
| Total | $58,716 | $190,588 |

The following table provides information on the agreements to repurchase (dollars in thousands):

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | 1996 | 1995 |
|---|---|---|---|
| Maximum borrowing at any month-end within the period | $ 255,967 | $ 362,147 | $ 328,666 |
| Average borrowing during the period | $ 150,656 | $ 178,883 | $ 186,592 |
| Average interest cost during the period | 5.26% | 4.83% | 5.80% |
| Average interest cost at end of the period | 4.80% | 5.13% | 4.59% |

Average borrowing was computed based on average daily balances during the period. Average interest rates during the period were computed by dividing interest expense for the period by the average borrowing during the period.

Customer repurchase agreements at December 31, 1997 and 1996 included a $4.7 million and $9.7 million customer repurchase agreement, respectively, relating to a BFC escrow account. Total interest expense related to this reverse repurchase agreement was approximately $210,000, $312,000, and $374,000 during the year ended December 31, 1997, 1996 and 1995, respectively.





10. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE--(CONTINUED)

The following table lists the amortized cost and estimated fair value of securities sold under repurchase agreements, and the repurchase liability associated with such transactions (dollars in thousands):

| DECEMBER 31, 1997 (1) | AMORTIZED COST | ESTIMATED FAIR VALUE | REPURCHASE BALANCE | WEIGHTED AVERAGE INTEREST RATE |
|---|---|---|---|---|
| FHLB Bonds | $ 2,650 | $ 2,651 | $ 2,380 | 4.80% |
| FNMA | 8,440 | 8,462 | 7,597 | 4.80 |
| FHLMC | 54,302 | 54,289 | 48,739 | 4.80 |
| Total | $65,392 | $65,402 | $58,716 | 4.80% |

| DECEMBER 31, 1996 (1) | AMORTIZED COST | ESTIMATED FAIR VALUE | REPURCHASE BALANCE | WEIGHTED AVERAGE INTEREST RATE |
|---|---|---|---|---|
| US Treasuries | $ 70,637 | $ 70,686 | $ 66,622 | 5.54% |
| FHLB Bonds | 2,015 | 2,006 | 1,481 | 4.02 |
| FNMA | 73,707 | 73,897 | 67,848 | 5.18 |
| FHLMC | 67,735 | 67,650 | 54,637 | 4.59 |
| Total | $214,094 | $214,239 | $190,588 | 5.13% |

(1) At December 31, 1997 and 1996 these securities are classified as available for sale and recorded at market value in the consolidated statements of financial condition.

All repurchase agreements at December 31, 1997 were customer repurchase agreement which are due on demand. All repurchase agreements at December 31, 1996 matured and were repaid in January 1997. respectively. These securities were held by unrelated broker dealers.

11. SUBORDINATED DEBENTURES AND OTHER DEBT

In March 1991, $10.2 million of 1986 Capital Notes were exchanged for noncumulative preferred stock. All three series of preferred stock had a preference value of $25.00 per share and were redeemable at $25.00 per share. During July 1994, 260 shares of Series C preferred stock were canceled in connection with the exercise of dissenters' rights by certain BankAtlantic preferred shareholders in connection with the reorganization transaction which resulted in the establishment of the Company as the holding company for BankAtlantic. In October 1995, all series of preferred stock were redeemed at $25.00 per share. The October 7, 1995 preferred stock redemption resulted in a $1.4 million payment above the recorded amount of the preferred stock. Such excess was treated as a preferred stock dividend and impacted basic and diluted earnings per share by $.05 per share for the year ended December 31, 1995.

On March 31, 1991, BankAtlantic issued to certain of its existing shareholders, 18,611 shares of common stock and $8,000 of 14% subordinated debentures, having a March 1998 maturity date, with related detachable warrants to purchase 17,548 shares of common stock. The $8,000 of subordinated debentures were redeemed along with the Capital Notes on August 31, 1993. However, the warrants relating to such debentures are detachable and remain outstanding until the earlier of exercise or original maturity of the subordinated debentures. The warrants outstanding at December 31, 1997 relating to the redeemed debentures are 10,963 with a $0.45 exercise price.





11. SUBORDINATED DEBENTURES AND OTHER DEBT--(CONTINUED)

On March 30, 1995, the Company borrowed $4.0 million from an unrelated financial institution and incurred financing costs of $69,000. The debt matured on March 30, 1996, bore interest at prime plus 1% and was collateralized by 12% non-cumulative preferred stock of BankAtlantic having a preference value of $4.0 million. The $4.0 million was utilized by the Company to purchase the

BankAtlantic preferred stock used as collateral.

The Company has the following subordinated debentures and notes payable outstanding at December 31, (in thousands):

| | ISSUE DATE | 1997 | 1996 | INTEREST RATE | MATURITY DATE | CONVERSION PRICE | CLASS OF STOCK | REDEMPTION DATE |
|---|---|---|---|---|---|---|---|---|
| 9% Debentures ........ | 9/22/95 | $ 21,000 | $21,000 | 9.00% | 10/01/2005 | N/A | N/A | 10/01/1998 |
| 6 3/4% Debentures .... | 7/03/96 | 57,125 | 57,500 | 6.75% | 7/01/2006 | $ 6.55 | A | 7/01/1999 |
| 5 5/8% Debentures .... | 11/25/97 | 100,000 | 0 | 5.625% | 12/01/2007 | $12.94 | A | 12/01/2000 |
| Notes payable ........ | 2/01/95 | 1,475 | 0 | 7.50% | 2/01/2000 | N/A | N/A | N/A |
| | | $179,600 | $78,500 | | | | | |

Included in other assets was $6.3 million and $3.2 million of unamortized underwriting discounts and costs associated with the issuance of subordinated debentures, at December 31, 1997 and 1996, respectively.

The Indenture relating to the Trust Preferred Securities and all of the Debenture indentures contain certain customary covenants found in Indentures under the Trust Indenture Act, including covenants with respect to the payment of principal and interest, maintenance of an office or agency for administering the Debentures, holding of funds for payments on the Debentures in Trust, payment by the Company of taxes and other claims, maintenance by the Company of its properties and its corporate existence and delivery of annual certifications to the Trustee.

The Debenture indentures for the 9% and 63/4% Debentures provide that the Company cannot declare or pay dividends on, or purchase, redeem or acquire for value its capital stock, return any capital to holders of capital stock as such, or make any distributions of assets to holders of capital stock as such, unless, from and after the date of any such dividend declaration (a "Declaration Date") or the date of any such purchase, redemption, payment or distribution (a "Redemption Date"), the Company retains cash, cash equivalents (as determined in accordance with generally accepted accounting principles) or marketable securities (with a market value as measured on the applicable Declaration Date or Redemption Date) in an amount sufficient to cover the two consecutive semi-annual interest payments that will be due and payable on the Debentures following such Declaration Date or Redemption Date, as the case may be. These indentures further provide that the amount of any interest payment made by the Company with respect to the Debentures after any applicable Declaration Date or Redemption Date shall be deducted from the aggregate amount of cash or cash equivalents which the Company shall be required to retain pursuant to the foregoing provision. At December 31, 1997 and 1996 the Company designated $5.8 million of securities available for sale to satisfy the above provision.

Upon the acquisition of SLWHC, the Company became obligated for a $9.1 million Capital Improvement Revenue Bond Series 1995, payable to a municipality with a $1.4 million outstanding at December 31, 1997. Interest on the note payable is due semi-annually in arrears. The note is collateralized by "priority assessment liens on residential land".





11. SUBORDINATED DEBENTURES AND OTHER DEBT--(CONTINUED)

In March 1997, the Company formed BBC Capital Trust I ("BBC Capital"). BBC Capital is a statutory business trust which was formed for the purpose of issuing 9 1/2% Cumulative Trust Preferred Securities ("Trust Preferred Securities") and investing the proceeds thereof in Junior Subordinated Debentures of the Company. In a public offering in April 1997, BBC Capital issued for $74.75 million, 2.99 million shares of Trust Preferred Securities at a price of $25 per share. BBC Capital used the gross proceeds received from the sale of the Trust Preferred Securities and $2.3 million of contributed capital from the Company to purchase $77.1 million of 9 1/2% Junior Subordinated Debentures from the Company which mature on June 30, 2027. The net proceeds to the Company from the sale of the Junior Subordinated Debentures were $71.8 million after deduction of the underwriting discount and expenses. At December 31, 1997, the balance of Trust Preferred Securities was $74.75 million. The net proceeds from the sale of the Junior Subordinated Debentures were utilized as follows: $21.2 million of the proceeds were contributed to BankAtlantic, $12.2 million of the proceeds were used to repurchase the Company's common stock and the remaining proceeds are being used by the Company for general corporate purposes. BankAtlantic used $21.2 million of the contributed capital to acquire St. Lucie West Holding Corp, and subsidiaries and to invest in a real estate joint venture. During the year ended December 31, 1997, the Company repurchased 1,040,625 and 365,625 shares of the Company's Class A and Class B common stock, respectively. Interest on the Junior Subordinated Debentures and Distributions on the Trust Preferred Securities are fixed at 9 1/2% per annum and are payable quarterly in arrears, with the first payment paid June 30, 1997. Distributions on the Trust Preferred Securities are cumulative and based upon the liquidation value of $25 per Trust Preferred Security. The Company has the right, at any time, so long as no event of default, as defined, has occurred and is continuing, to defer payments of interest on the Junior

Subordinated Debentures for a period not exceeding 20 consecutive quarters; provided, that such deferral may not extend beyond the stated maturity of the Junior Subordinated Debentures. The Trust Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Junior Subordinated Debentures at maturity or their earlier redemption. The Company has the right to redeem the Junior Subordinated Debentures after June 30, 2002 and also has the right to redeem the Junior Subordinated Debentures in whole (but not in part) within 180 days following certain events, as defined, whether occurring before or after June 30, 2002, and therefore cause a mandatory redemption of the Preferred Securities. The exercise of such right is subject to the Company having received regulatory approval to do so if then required under applicable capital guidelines or regulatory policies. In addition to the above right, the Company has the right, at any time, to shorten the maturity of the Junior Subordinated Debentures to a date not earlier than June 30, 2002. Exercise of this right is also subject to the Company having received regulatory approval to do so if then required under applicable capital guidelines or regulatory policies.

On November 25, 1997, in a dual public offering, the Company issued 4.3 million of Class A common stock and $100.0 million of 5 5/8% convertible subordinated debentures ("5 5/8% Debentures"). The net proceeds to the Company from the sale of Class A common stock was $43.4 million net of $107,000 offering costs and $96.5 million from the sale of the 55/8% Debentures net of $3.5 million of offering costs.

12. STOCK OPTION PLANS

On April 6, 1984, BankAtlantic's stockholders approved a Stock Option Plan ("1984 Plan") under which options to purchase up to 1,182,556 shares of common stock may be granted. The plan provided for the grant of both incentive stock options and non-qualifying options. The exercise price of an incentive stock option was not to be less than the fair market value of the common stock on the date of





12. STOCK OPTION PLANS--(CONTINUED)

the grant. The exercise price of non-qualifying options was determined by a committee of the Board of Directors. The "1984 Plan" has expired; however, options granted under this plan are still outstanding. The Class B stock options issued in May 1993 expire on May 25, 1998 and were fully vested as of December 31, 1996. At May 31, 1993, all issuable options under the 1984 Plan were outstanding and no further options will be granted under the Plan.

On May 31, 1994, the stockholders of BankAtlantic approved the BankAtlantic 1994 Stock Option Plan ("1994 Plan"), authorizing the issuance of Class B common stock options to acquire up to 2,288,819 shares of BankAtlantic's common stock. In accordance with the Reorganization, all outstanding options under the 1984 Plan and 1994 Stock Option Plan became the obligation of the Company as of July 13, 1994. All employee stock options under the 1994 Plan vest and are exercisable five years from the date of grant while directors' stock options vested immediately.

On May 21, 1996 the shareholders approved the BankAtlantic Bancorp 1996 Stock Option Plan (the "1996 Plan") which authorized the issuance of Class A common stock options to acquire up to 1.95 million shares of Class A common stock. The 1996 Plan expires on April 2, 2006. During the second quarter of 1996, 48,828 non-qualifying stock options were issued outside of the Plan to non-employee directors. All of the incentive and non-qualifying stock options are exercisable for the Company's Class A common stock, with an exercise price equal to the fair market value at the date of grant. All employee stock options vest and are exercisable five years for the date of grant while directors' stock options vested immediately.

The following table sets forth all outstanding options, adjusted for the July 1997 and January 1998 five for four common share stock splits effected in the form of 25% stock dividends in Class A common stock. However, due to accounting and tax considerations, with respect to options to purchase Class B common stock previously granted under the Company's stock option plan's anti-dilution provisions related to Class B common stock options required that additional Class B options be granted rather than Class A options.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]





12. STOCK OPTION PLANS--(CONTINUED)

A summary of stock option activity segregated by class of stock was:

<TABLE>
<CAPTION>

CLASS B
OUTSTANDING

| | OPTIONS | PRICE PER SHARE | | |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Outstanding December 31, 1994 | 2,512,556 | $2.28 | to | $3.90 |
| Exercised | (234,315) | 2.96 | to | 3.05 |
| Forfeited | (102,325) | 3.01 | to | 4.00 |
| Issued | 887,214 | 4.00 | to | 4.00 |
| Outstanding December 31, 1995 | 3,063,130 | 2.28 | to | 4.00 |
| Exercised | (138,392) | 2.96 | to | 3.01 |
| Forfeited | (189,677) | 3.90 | to | 4.00 |
| Outstanding December 31, 1996 | 2,735,061 | 2.28 | to | 4.00 |
| Exercised | (547,740) | 2.28 | to | 3.90 |
| Forfeited | (71,774) | 3.90 | to | 3.90 |
| Outstanding December 31, 1997 | 2,115,547 | $3.01 | to | $4.00 |
| Exercisable at December 31, 1997 | 497,615 | $3.01 | to | $4.00 |
| Available for grant at December 31, 1997 | 386,129 | | | |

</TABLE>

<TABLE>
<CAPTION>

| | CLASS A OUTSTANDING OPTIONS | PRICE PER SHARE | | |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Outstanding December 31, 1995 | 0 | $0.00 | to | $ 0.00 |
| Exercised | 0 | 0.00 | to | 0.00 |
| Forfeited | (101,023) | 5.74 | to | 5.74 |
| Issued | 1,029,440 | 5.74 | to | 6.25 |
| Outstanding December 31, 1996 | 928,417 | 5.74 | to | 6.25 |
| Exercised | (16,775) | 5.74 | to | 7.17 |
| Forfeited | (104,994) | 5.74 | to | 8.64 |
| Issued | 809,984 | 5.74 | to | 12.35 |
| Outstanding December 31, 1997 | 1,616,632 | $5.74 | to | $12.35 |
| Exercisable at December 31, 1997 | 108,661 | $5.74 | to | $ 7.64 |
| Available for grant at December 31, 1997 | 319,718 | | | |

</TABLE>

The weighted average exercise price of options outstanding at December 31, 1997, 1996 and 1995 was $5.14, $4.21, and $3.67, respectively. The weighted average exercise price of stock options exercised was $3.28 and $3.01 for the years ended December 31, 1997 and 1996, respectively. The weighted average exercise price of options forfeited during the years ended December 31, 1997 and 1996 was $5.27 and $4.56, respectively.

During the years ended December 31, 1997 and 1996, 373,328 and 12,736 of non-qualifying and 399,048 and 125,656 of incentive stock options issued under the 1984, 1994 and 1996 Plans were exercised resulting in increases of $2.8 million and $531,000 in stockholders' equity, respectively. The tax effect of the exercised stock options for December 31, 1997 and 1996 was $913,000 and $118,000, respectively, and has been reflected in additional paid in capital. During the years ended December 31,





12. STOCK OPTION PLANS--(CONTINUED)

1997 and 1996, 104,994 and 101,023 of options under the 1996 Plan and 71,774 and 189,677 of options under the 1994 Plan, respectively, were forfeited.

During the latter part of 1996 and early 1997, certain executives and officers received prorata vesting as part of their severance arrangements relating to previously granted 1994 and 1996 Plan options. Forfeited and vested options were 148,778 shares and 194,559 shares for the 1994 plan and 84,231 shares and 25,634 shares for the 1996 plan, respectively.

The adoption of FAS 123 under the fair value based method would have increased compensation expense by $479,245 and $474,000 for the years ended December 31, 1997 and 1996, respectively. The effect of FAS 123 under the fair value based method would have effected net income and earnings per share as follows:

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31 | |
|---|---|---|
| | 1997 | 1997 |
| | (IN THOUSANDS, EXCEPT | |

| | | PER SHARE DATA) | |
|---|---|---|---|
| Net income available for common shares | As reported .......... | $27,769 | $19,011 |
| | Pro forma ............ | 27,272 | 18,537 |
| Basic earnings per share Class A | As reported .......... | $ 0.98 | $ 0.64 |
| | Pro forma ............ | 0.97 | 0.63 |
| Basic earnings per share Class B | As reported .......... | $ 0.94 | $ 0.72 |
| | Pro forma ............ | 0.93 | 0.71 |
| Diluted earnings per share Class A | As reported .......... | $ 0.78 | $ 0.58 |
| | Pro forma ............ | 0.77 | 0.57 |
| Diluted earnings per share Class B | As reported .......... | $ 0.77 | $ 0.66 |
| | Pro forma ............ | 0.76 | 0.64 |

</TABLE>

The option method used to calculate the FAS 123 compensation adjustment was the Black-Scholes model with the following grant date fair values and assumptions:

<TABLE>
<CAPTION>

| | | WEIGHTED AVERAGE | | | | |
|---|---|---|---|---|---|---|
| YEAR OF GRANT | NUMBER OF OPTIONS GRANTED | GRANT DATE FAIR VALUE | EXERCISE PRICE | RISK FREE INTEREST RATE | EXPECTED VOLATILITY | EXPECTED DIVIDEND YIELD |
| 1995 | 887,214 | $2.14 | $4.00 | 6.32% | 25.80% | 0.47% |
| 1996 | 1,029,440 | $2.95 | $5.77 | 6.86% | 18.60% | 0.36% |
| 1997 | 809,984 | $3.36 | $8.08 | 6.60% | 27.40% | 0.99% |

</TABLE>

The employee turnover factor was 5.97% and 13.40% for incentive stock options and 3.55% and 5.20% for non-qualifying stock options, for the years ended December 31, 1997 and 1996, respectively. The expected life for all options issued was 7.5 years.





12. STOCK OPTION PLANS--(CONTINUED)

The following table summarizes information about fixed stock options outstanding at December 31, 1997:

<TABLE>
<CAPTION>

| | | OPTIONS OUTSTANDING | | | OPTIONS EXERCISABLE | |
|---|---|---|---|---|---|---|
| CLASS OF COMMON STOCK | RANGE OF EXERCISE PRICES | NUMBER OUTSTANDING AT 12/31/97 | WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE | WEIGHTED-AVERAGE EXERCISE PRICE | NUMBER EXERCISABLE AT 12/31/97 | WEIGHTED-AVERAGE EXERCISE PRICE |
| B | $3.01 to 3.31 | 348,813 | .4 years | $3.15 | 348,813 | $3.15 |
| B | $3.90 to 4.00 | 1,766,734 | 6.8 years | 3.94 | 148,802 | 3.92 |
| A | $5.73 to 12.35 | 1,616,632 | 8.9 years | 6.88 | 108,661 | 6.82 |
| | | 3,732,179 | 7.1 years | $5.14 | 606,276 | $4.00 |

</TABLE>

13. INCOME TAXES

For federal income tax purposes, BankAtlantic reports its income and expenses on the accrual method of accounting. Prior to 1996, savings institutions that met certain definitional tests and other conditions prescribed by the Internal Revenue Code of 1986 (the "Code") relating primarily to the composition of their assets and the nature of their business activities were, within certain limitations, permitted to establish, and deduct additions to, reserves for bad debts in amounts in excess of those which would otherwise be allowable on the basis of actual loss experience. A qualifying savings institution could elect annually, and was not bound by such election in any subsequent year, one of the following two methods for computing additions to its bad debt reserves for losses on "qualifying real property loans" (generally, loans secured by interests in improved real property): (i) the experience method or (ii) the percentage of taxable income method. BankAtlantic has utilized both the percentage of taxable income method and the experience method in computing the tax-deductible addition to its bad debt reserves. Additions to the reserve for losses on non-qualifying loans, however, must be computed under the experience method and reduce the current year's addition to the reserve for losses on qualifying real property loans, unless the qualifying addition also is determined under the experience method. The sum of the addition to each reserve for each year was BankAtlantic's annual bad debt deduction.

The Small Business Job Protection Act of 1996 repealed the reserve method of accounting for bad debts for tax years beginning after 1995. As a "large" thrift (more than $500 million in assets), BankAtlantic had to change to the specific charge-off method to compute its bad debt deduction starting in 1996. BankAtlantic is required to recapture into taxable income the portion of its bad debt reserves that exceeds its base year reserves. For financial reporting purposes, deferred taxes have previously been provided for amounts in excess of the base year tax bad debt reserve and accordingly, recapture of such amounts for tax purposes will not trigger expense for financial reporting purposes. BankAtlantic will have to recapture $1.7 million (after tax) of bad debt reserve due to the law change. BankAtlantic's recapture amount will be taken into taxable income ratably (on a straight-line basis) over a six-year period. BankAtlantic met the residential loan requirement for the tax years beginning in 1996 and 1997, and recapture of the reserves has been suspended for such tax years. At December 31, 1997, BankAtlantic had a $3.9 million (after tax) base year reserve for which deferred taxes have not been provided which is subject to recapture if BankAtlantic, redeems its common stock or certain other events occur. The base year reserve is not amortized and remains fixed. Such amount would not be subject to recapture upon conversion to a commercial bank charter.





13. INCOME TAXES--(CONTINUED)

The provision for income taxes consisted of (in thousands):

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Current: | | | |
| Federal ........................... | $15,248 | $ 9,305 | $ 7,257 |
| State ............................. | 2,332 | 1,441 | 1,210 |
| | 17,580 | 10,746 | 8,467 |
| Deferred: | | | |
| Federal ........................... | 150 | 1,287 | 1,191 |
| State ............................. | 23 | 208 | 360 |
| | 173 | 1,495 | 1,551 |
| Provision for income taxes ......... | $17,753 | $12,241 | $10,018 |

The December 31, 1997, 1996 and 1995 amounts above do not include deferred taxes of $455,000, $470,000 and $3.6 million, respectively, related to unrealized appreciation on securities available for sale which is a separate component of stockholders' equity.

BankAtlantic's actual provision differs from the Federal expected income tax provision as follows (in thousands):

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Income tax provision at expected federal income tax rate (1) ............................................ | $15,933 | $10,938 | $ 9,953 |
| Increase (decrease) resulting from: | | | |
| Base year bad debt reserve increase ...................... | (582) | (362) | 0 |
| Tax-exempt interest income ............................... | (22) | (26) | (104) |
| Provision for state taxes net of federal benefit ......... | 1,540 | 1,117 | 897 |
| Change in the beginning of the period balance of the valuation allowance for deferred tax assets allocated to income tax credit ........................ | 0 | 0 | (972) |
| Amortization of costs over fair value of net assets acquired ...................................... | 878 | 541 | 393 |
| Charitable deduction of appreciated property ............ | 0 | 0 | (70) |
| Other -- net ............................................ | 6 | 33 | (79) |
| Provision for income taxes ............................. | $17,753 | $12,241 | $10,018 |

</TABLE>

- ----------------

(1) The expected federal income tax rate is 35% for the years ended December 31, 1997, 1996 and 1995.

13. INCOME TAXES--(CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and tax liabilities were:

<TABLE>
<CAPTION>

| | DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| | | (IN THOUSANDS) | |
| <S> | <C> | <C> | <C> |
| DEFERRED TAX ASSETS: | | | |
| Allowance for loans, REO and tax certificate losses, for financial statement purposes | $ 10,700 | $ 8,692 | $ 6,798 |
| Other allowances and expense accruals recorded for financial statement purposes not currently recognized for tax purposes | 412 | 1,495 | 3,330 |
| Deferred compensation accrued for financial statement purposes not currently recognized for tax purposes | 353 | 266 | 199 |
| Unearned commitment fees | 125 | 114 | 101 |
| Amortization of mortgage servicing rights for financial reporting purposes in excess of amount amortized for tax purposes | 146 | 251 | 255 |
| Amortization of intangible assets for financial statement purposes in excess of amounts amortized for tax purposes | 169 | 225 | 0 |
| Net operating loss carryforward acquired | 1,222 | 0 | 0 |
| Real estate held for development and sale capitalized costs for tax purposes in excess of amounts capitalized for financial statement purposes | 1,414 | 0 | 0 |
| Purchase accounting adjustments for SLWHC acquisition | 1,548 | 0 | 0 |
| Purchase accounting adjustments for bank acquisitions | (501) | 170 | 1,073 |
| Other | 10 | 10 | 171 |
| Total gross deferred tax assets | 15,598 | 11,223 | 11,927 |
| Less valuation allowance relating to SLWHC acquisition | 4,184 | 0 | 0 |
| Total deferred tax assets | 11,414 | 11,223 | 11,927 |
| DEFERRED TAX LIABILITIES: | | | |
| Tax bad debt reserve in excess of base year reserve | 1,684 | 1,684 | 2,725 |
| Office properties and equipment and real estate owned due to depreciation differences | 447 | 1,172 | 1,613 |
| FHLB stock, due to differences in the recognition of stock dividends | 1,610 | 1,740 | 1,646 |
| Deferred loan income, due to differences in the recognition of loan origination fees and discounts | 1,962 | 2,039 | 1,479 |
| Discount on securities, due to the accretion of discounts | 0 | 286 | 673 |
| Capital leases for financial statement purposes and operating leases for tax purposes | 0 | 0 | 21 |
| Prepaid pension expenses | 995 | 313 | 473 |
| Deferred tax liability on unrealized appreciation on securities available for sale | 455 | 470 | 3,600 |
| Prepaid insurance | 219 | 142 | 355 |
| Mortgage servicing rights recognized for financial statement purposes in excess of amounts recognized for tax purposes | 826 | 0 | 0 |
| Other | 19 | 22 | 86 |
| Total gross deferred tax liabilities | 8,217 | 7,868 | 12,671 |
| Net deferred tax asset (liability) | 3,197 | 3,355 | (744) |
| Less deferred income tax (assets) liabilities at beginning of period | (3,355) | 744 | (1,568) |
| Deferred tax asset, net of valuation allowance related to acquisitions | 0 | (2,464) | (2,718) |
| Increase (decrease) in deferred tax liability on unrealized appreciation on debt securities available for sale included as a separate component of stockholders' equity | (15) | (3,130) | 3,479 |
| Provision for deferred income taxes | $ (173) | $ (1,495) | $ (1,551) |

</TABLE>





13. INCOME TAXES--(CONTINUED)

The tax attributes acquired on October 31, 1997 in connection with the SLWHC acquisition were (in thousands):

<TABLE>

| | |
|---|---|
| <S> | <C> |
| Net operating loss carryforward | $1,222 |
| Real estate held for development and sale capitalized costs for tax purposes in excess of amounts capitalized for financial statement purposes | 1,414 |
| Fair value of real estate held for development and sale lower than tax basis | 1,548 |
| Total deferred tax assets | 4,184 |
| Valuation allowance | 4,184 |
| Deferred tax assets, net | $ 0 |

</TABLE>

On December 31, 1997, the Company had a valuation allowance relating to the deferred tax assets acquired in connection with the SLWHC acquisition. These acquired deferred tax assets can only be realized if SLWHC has taxable income. Due to the recent acquisition of SLWHC, it is difficult for management to predict whether SLWHC will have sufficient taxable income to realize the deferred tax assets; therefore, a valuation allowance was established.

The net operating loss carryforward was acquired in connection with the SLWHC acquisition. Due to IRS limitations, the net operating loss can only be utilized if SLW has taxable income. The NOL carryforward will expire in varying amounts through the year 2011.

At December 31, 1996, the Company had a tax refund receivables of $723,000 and $132,000 for Federal and State income taxes, respectively. The tax refunds were acquired with the BNA acquisition and applied against 1997 current income tax liabilities.

The net operating loss ("NOL") and investment tax credits ("ITC") carryovers acquired in connection with the acquisition of MegaBank were $878,000 and $48,000, respectively, upon acquisition. Due to IRS limitations, only $784,000 of the NOL and none of the ITC was utilized in 1995. The remaining NOL and ITC was fully utilized in 1996. The utilization of MegaBank's NOL and ITC are limited by regulations. Such utilization was assumed at the date of acquisition of MegaBank and resulted in an adjustment of cost over fair value of assets acquired and does not affect the provision for income taxes.

14. PENSION PLAN

BankAtlantic sponsors a non-contributory defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and the employee's average earnings received during the highest five consecutive years out of the last ten years of employment. The funding policy is to contribute an amount not less than the ERISA minimum funding requirement nor more than the maximum tax-deductible amount under Internal Revenue Service rules and regulations.

Plan assets consist of cash equivalents, common stocks and mutual funds.





14. PENSION PLAN--(CONTINUED)

The following table sets forth the Plan's funded status and the prepaid pension cost included in the Consolidated Statements of Financial Condition at:

<TABLE>
<CAPTION>

| | ENDED DECEMBER 31, 1997 | ENDED DECEMBER 31, 1996 |
|---|---|---|
| | (IN THOUSANDS) | |
| Actuarial present value of accumulated benefit obligation, including vested benefits of $15,225 and $13,301 | $ (16,298) | $ (14,370) |
| Actuarial present value of projected benefit obligation for service rendered to date | (20,478) | (17,301) |
| Plan assets at fair value as of the actuarial date | 20,169 | 15,728 |
| Plan assets in excess (below) projected benefit obligation | (309) | (1,573) |
| Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions | 2,248 | 3,868 |
| Prior service (cost) benefit not yet recognized in net periodic pension cost | 611 | 61 |
| Unrecognized net asset at October 1, 1987, being recognized over 15 years | (1,272) | (1,540) |
| Prepaid pension cost | $ 1,278 | $ 816 |

</TABLE>

Net pension cost includes the following components:

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | 1996 | 1995 |
|---|---|---|---|
| | (IN THOUSANDS) | | |
| Service cost benefits earned during the period | $ 1,260 | $ 1,065 | $ 785 |
| Interest cost on projected benefit obligation | 1,270 | 1,151 | 1,010 |
| Actual return on plan assets | (2,855) | (1,297) | (1,009) |
| Net amortization and deferral | 1,206 | (3) | 44 |

| | | | |
|---|---|---|---|
| Net periodic pension expense | $ 881 | $ 916 | $ 830 |

</TABLE>

The actuarial assumptions used in accounting for the Plan were:

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| Weighted average discount rate | 7.00% | 7.50% | 8.50% |
| Rate of increase in future compensation levels | 4.75% | 5.00% | 6.50% |
| Expected long-term rate of return | 9.00% | 9.00% | 9.00% |

Actuarial assumptions for the years ended December 31, 1997, 1996 and 1995 are projected based upon participant data at October 1 of the same year. Actuarial estimates and assumptions are based on various market factors and are evaluated on an annual basis, and changes in such assumptions may impact future pension costs. Management believes that the impact, if any, of the difference between actuarial assumptions utilized on October 1 and those appropriate at December 31 is immaterial. There have been no changes in the plan during the year ended December 31, 1997 that would significantly





14. PENSION PLAN--(CONTINUED)

effect the actuarial assumptions. During the years ended December 31, 1997 and 1996 and 1995, BankAtlantic funded $954,000, $500,000, and $1.1 million, respectively to the plan.

BankAtlantic sponsors a defined contribution plan ("401k Plan") for all employees who have completed six months of service. Employees can contribute up to 14% of their salary, not to exceed $9,500 for 1997 and 1996 and $9,240 for 1995. For employees that fall within the highly compensated criteria, maximum contributions are currently 10% of salary. Effective October 1991, BankAtlantic's 401k Plan was amended to include only a discretionary match as deemed appropriate by the Board of Directors. Included in employee compensation and benefits on the consolidated statement of operations was $194,000, $147,000, and $75,000 of expenses and employer contributions related to the 401k Plan for the years ended December 31, 1997, 1996 and 1995, respectively. For the years ended December 31, 1997 and 1996, the Board of Directors declared a discretionary match of 25% of the first 4% of an employee's contribution. Ten percent of the 25% discretionary match related to meeting specific profit goals.

15. COMMITMENTS AND CONTINGENCIES

BankAtlantic is lessee under various operating leases for real estate and equipment extending to the year 2072. The approximate minimum rental under such leases, at December 31, 1997, for the periods shown was (in thousands):

| YEAR ENDING DECEMBER 31, | AMOUNT |
|---|---|
| 1998 | $ 4,432 |
| 1999 | 3,550 |
| 2000 | 2,379 |
| 2001 | 1,593 |
| 2002 | 1,250 |
| Thereafter | 4,031 |
| Total | $17,235 |

Rental expense for premises and equipment was $5.1 million, $3.8 million, and $3.4 million for the years ended December 31, 1997, 1996 and 1995, respectively. Included in other liabilities at December 31, 1997 and 1996, is an allowance of $67,000 and $266,000, respectively, for future rental payments on closed branches. Management has committed to two additional in-store full service branches, which are anticipated to open during the year ended December 31, 1998. The estimated annual lease payments are $48,600, other annual expenses are $20,000, and estimated leasehold improvements and other capitalizable costs associated with the two branches to be opened during 1998, will be approximately $420,000.

At December 31, 1997, BankAtlantic leased 249 ATMs 137 of which are in Wal-Mart and Sam's Club locations throughout Florida and 15 are on cruise ships. The remaining ATMs are at BankAtlantic branch locations and various sites throughout South Florida. During the fourth quarter of 1997, BankAtlantic signed an agreement to install 57 ATM machines in Exxon gas stations during 1998. These ATMs accept BankAtlantic ATM cards, as well as other bank's cards, Visa, MasterCard and American Express cards that are compatible with national and international Cirrus, Plus and Honor ATM systems.

15. COMMITMENTS AND CONTINGENCIES--(CONTINUED)

During the ordinary course of business, BankAtlantic and its subsidiaries are involved as plaintiff or defendant in various lawsuits. Management, based on discussions with legal counsel believes results of operations or financial position will not be significantly impacted by the resolution of these matters. (See also Note 17.)

In the normal course of its business, BankAtlantic is a party to financial instruments with off-balance-sheet risk, when it is deemed appropriate in order to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and documentary letters of credit. Those instruments involve, to varying degrees, elements of credit risk. BankAtlantic's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contractual amount of those instruments. BankAtlantic uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Financial instruments with off-balance sheet risk were:

<TABLE>
<CAPTION>

| | DECEMBER 31, | |
|---|---|---|
| | 1997 | 1996 |
| | (IN THOUSANDS) | |
| <S> | <C> | <C> |
| Commitments to extend credit to foreign institutions | $ 49,894 | $ 0 |
| Commitment to sell residential loans | 11,886 | 7,275 |
| Commitments to sell investment securities | 4,979 | 0 |
| Commitment to purchase mortgage-backed securities | 153,946 | 0 |
| Commitments to extend credit, including the undisbursed portion of loans in process | 295,776 | 284,418 |
| Letters of credit | 56,435 | 61,626 |
| FHLB advance forward commitments | 0 | 12,000 |
| Commitments to purchase residential loans | 0 | 28,000 |

</TABLE>

Commitments to extend credit are agreements to lend funds to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BankAtlantic evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral required by BankAtlantic in connection with an extension of credit is based on management's credit evaluation of the counter-party. Collateral held varies but may include first mortgages on commercial and residential real estate. As part of the commitment for standby letters of credit, BankAtlantic is required to collateralize 120% of the commitment balance with mortgage-backed securities. At December 31, 1997, $4.9 million of mortgage-backed securities were pledged against the commitment balance.

Standby letters of credit written are conditional commitments issued by or for the benefit of BankAtlantic to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. 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 which are collateralized similar to other types of borrowings.





15. COMMITMENTS AND CONTINGENCIES--(CONTINUED)

BankAtlantic has commitments to extend credit to foreign financial institutions in Latin America. The commitments can be terminated at any time. Each financial institution is evaluated on a case by case basis.

BankAtlantic is required to maintain average reserve balances with the Federal Reserve Bank. Such reserves consisted of cash and amounts due from banks of $33.4 million and $28.3 million at December 31, 1997 and 1996, respectively.

BankAtlantic is a member of the FHLB system. As a member, BankAtlantic is required to purchase and hold stock in the FHLB of Atlanta, in amounts at least equal to the greater of (i) 1% of its aggregate unpaid residential mortgage loans, home purchase contracts and similar obligations at the beginning of each year or (ii) 5% of its outstanding advances from the FHLB of Atlanta. As of December 31, 1997, BankAtlantic was in compliance with this requirement with an investment of approximately $34.9 million in stock of the FHLB of Atlanta.

16. REGULATORY MATTERS

The Company, by virtue of its ownership of all of the common stock of BankAtlantic, is a unitary savings bank holding company subject to regulatory oversight by the OTS. As such, the Company is required to register with and be subject to OTS examination, supervision and certain reporting requirements. Further, as a company having a class of publicly held equity securities, the Company is subject to the reporting and the other requirements of the Exchange Act. In addition, BFC owns 6,578,671 and 4,876,124 of Class A and Class B common stock, respectively, which amounts to 35.57% of the Company's total outstanding common stock. BFC is subject to the same oversight by the OTS as discussed herein with respect to the Company.

On September 30, 1996, President Clinton signed into law H.R. 3610, which recapitalized the SAIF and substantially bridged the assessment rate disparity existing between SAIF and BIF insured institutions. The new law subjected institutions with SAIF assessable deposits, including BankAtlantic, to a one-time assessment of 0.657% of covered deposits at March 31, 1995. BankAtlantic's one-time assessment, which was paid in November 1996, resulted in a pre-tax charge of $7.2 million for the year ended December 31, 1996, and under provisions of the law, was treated as a fully deductible "ordinary and necessary business expense" for tax purposes. The $7.2 million charge excludes the $2.3 million amount assessed on BNA deposits which was previously expensed by BNA prior to the acquisition date and was considered a liability of BNA in recording the acquisition of BNA under the purchase method of accounting. As a result of the special assessment, discussed herein, the SAIF was capitalized at the target Designated Reserve Ratio ("DRR") of 1.25 percent of estimated insured deposits on October 1, 1996.

BankAtlantic's deposits are insured by the SAIF and BIF for up to $100,000 for each insured account holder, the maximum amount currently permitted by law. Pursuant to the FDICIA, the FDIC adopted transitional regulations implementing risk-based insurance premiums that became effective on January 1, 1993. Under these regulations, institutions are divided into groups based on criteria consistent with those established pursuant to the prompt regulatory action provisions of the FDICIA (see "Savings Institution Regulations -- Prompt Regulatory Action", below). Each of these groups is further divided into three subgroups, based on a subjective evaluation of supervisory risk to the insurance fund posed by the institution.





16. REGULATORY MATTERS--(CONTINUED)

BankAtlantic is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory -- and possibly additional discretionary -- actions by regulators that, if undertaken, could have a direct material effect on BankAtlantic's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, BankAtlantic must meet specific capital guidelines that involve quantitative measures of BankAtlantic's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. BankAtlantic's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Certain of BankAtlantic's activities, such as its investment in real estate held for development and sale, result in a deduction from capital for regulatory capital measurement.

Quantitative measures established by regulation to ensure capital adequacy require BankAtlantic to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1997, that BankAtlantic meets all capital adequacy requirements to which it is subject.

As of December 31, 1997, BankAtlantic is considered a well capitalized institution under the regulatory framework for prompt corrective action. To be categorized as well capitalized BankAtlantic must maintain minimum total risk-based, Tier I risk-based, tangible and core capital ratios as set forth in the table. There are no conditions or events since December 31, 1997 that management believes have changed the institution's category.

BankAtlantic's actual capital amounts and ratios are presented in the table:

<TABLE>
<CAPTION>

| | ACTUAL | | | FOR CAPITAL ADEQUACY PURPOSES | | |
|---|---|---|---|---|---|---|
| | AMOUNT | RATIO | | AMOUNT | | RATIO |
| | | | (IN THOUSANDS) | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| As of December 31, 1997: | | | | | | |
| Total risk-based capital ... | $355,930 | 18.64% | /greater than or equal to/ | $152,785 | /greater than or equal to/ | 8.00% |
| Tier I risk-based capital .. | $332,010 | 17.38% | /greater than or equal to/ | $ 76,392 | /greater than or equal to/ | 4.00% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Tangible capital .......... | $332,010 | 11.12% | /greater than or equal to/ | $ 44,798 | /greater than or equal to/ | 1.50% |
| Core capital .............. | $332,010 | 11.12% | /greater than or equal to/ | $ 89,595 | /greater than or equal to/ | 3.00% |
| As of December 31, 1996: | | | | | | |
| Total risk-based capital ... | $193,196 | 10.83% | /greater than or equal to/ | $142,691 | /greater than or equal to/ | 8.00% |
| Tier I risk-based capital .. | $170,865 | 9.58% | /greater than or equal to/ | $ 71,363 | /greater than or equal to/ | 4.00% |
| Tangible capital .......... | $170,865 | 6.65% | /greater than or equal to/ | $ 38,547 | /greater than or equal to/ | 1.50% |
| Core capital .............. | $170,865 | 6.65% | /greater than or equal to/ | $ 77,094 | /greater than or equal to/ | 3.00% |

<CAPTION>

| | TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS | | |
|---|---|---|---|
| | AMOUNT | | RATIO |
| <S> | <C> | <C> | <C> |
| As of December 31, 1997: | | | |
| Total risk-based capital ... | $190,981 | /greater than or equal to/ | 10.00% |
| Tier I risk-based capital .. | $114,588 | /greater than or equal to/ | 6.00% |
| Tangible capital .......... | $ 44,798 | /greater than or equal to/ | 1.50% |
| Core capital .............. | $149,325 | /greater than or equal to/ | 5.00% |
| As of December 31, 1996: | | | |
| Total risk-based capital ... | $178,407 | /greater than or equal to/ | 10.00% |
| Tier I risk-based capital .. | $107,004 | /greater than or equal to/ | 6.00% |
| Tangible capital .......... | $ 38,547 | /greater than or equal to/ | 1.50% |
| Core capital .............. | $128,491 | /greater than or equal to/ | 5.00% |

</TABLE>

17. SUBJECT PORTFOLIO

From 1987 through 1990, BankAtlantic purchased in excess of $50 million of indirect home improvement loans from certain dealers, primarily in the northeastern United States. BankAtlantic ceased purchasing loans from such dealers in the latter part of 1990. These dealers were affiliated with each other but are not affiliated with BankAtlantic. In connection with loans originated through these dealers, BankAtlantic funded amounts to the dealers as a dealer reserve. Such loans and related dealer





17. SUBJECT PORTFOLIO--(CONTINUED)

reserves are hereafter referred to as the "Subject Portfolio." The risk of amounts advanced to the dealers is primarily associated with loan performance but secondarily is dependent on the financial condition of the dealers. The dealers were to be responsible to BankAtlantic for the amount of the reserve only if the loan giving rise to the reserve became delinquent or was prepaid. One of the dealers filed for protection under the bankruptcy laws of the United States, while the other dealers have not indicated any financial ability to fund the dealer reserve.

In late 1990, questions arose relating to the practices and procedures used in the origination and underwriting of the Subject Portfolio, which suggested that the dealers, certain home improvement contractors and borrowers, together with certain former employees of BankAtlantic, engaged in practices intended to defraud BankAtlantic. Due to these questions and potential exposure, BankAtlantic performed, certain investigations, notified appropriate regulatory and law enforcement agencies, and notified its fidelity bond carrier (the "carrier"). After an initial review and discussions with the carrier, BankAtlantic concluded that any losses sustained from the Subject Portfolio would adequately be covered by its fidelity bond coverage and, in fact, on August 13, 1991, the carrier advanced $1.5 million against BankAtlantic's losses. This payment and future payments by the carrier are subject to identification and confirmation of the losses which are appropriately covered under the fidelity bond.

Subsequently, commencing in September, 1991, as a consequence of issues raised by the carrier, BankAtlantic reviewed the Subject Portfolio without regard to the availability of any fidelity bond coverage. As a result of the review, the provision for loan losses for the year ended December 31, 1991 was increased by approximately $5.7 million, approximately $5.5 million of loans were charged off, and $2.7 million of dealer reserves were charged to current operations. On December 20, 1991, the carrier denied coverage and BankAtlantic thereafter filed an appropriate action against the carrier.

On October 30, 1992, BankAtlantic and the carrier entered into the Covenant. Pursuant to the Covenant, BankAtlantic will continue to pursue its litigation against National Union but has agreed to limit execution on any judgment obtained against National Union to $18 million. Further, BankAtlantic agreed to and did join certain third parties as defendants in the action. Subsequently, National Union was realigned from a defendant in the action to a co-plaintiff with BankAtlantic. Pursuant to the Covenant, National Union paid BankAtlantic approximately $6.1 million on execution of the Covenant, and agreed to pay an additional $3 million, which was paid in November 1993, and approximately $2.9 million which was paid on November 1, 1994. Further, National Union agreed to reimburse BankAtlantic for additional losses (as defined) incurred in connection with the Subject Portfolio, not in excess of $18 million; the full amount of which has been paid. In the event of recovery by BankAtlantic of damages against third party wrongdoers, BankAtlantic will be entitled to retain such amounts until such amounts plus any payments received from National Union equal $22 million plus the costs incurred by BankAtlantic of obtaining such recoveries. Thereafter National Union will be entitled to any such recoveries to the extent of the $18 million it has paid to BankAtlantic. The trial was held in February 1998 and judgment was entered in favor of BankAtlantic and National Union against over fifty third party defendants, individuals and corporations.

Two actions were filed in New Jersey. One of the New Jersey actions was brought on behalf of the State of New Jersey and was resolved in 1995. The remaining New Jersey action, which was brought against over 25 parties, including BankAtlantic, purported to be a class action on behalf of named and unnamed plaintiffs that may have obtained loans from dealers who subsequently sold the loans to





17. SUBJECT PORTFOLIO--(CONTINUED)

financial institutions, including BankAtlantic. This action sought, among other things, rescission of the loan agreements and damages. In November 1995, the court in this action entered an order dismissing the complaint against BankAtlantic; and plaintiff's appealed this ruling. In January 1996, the Appellate Court reversed the lower court's decision and remanded the case back to the trial court to determine whether the action could be maintained as a class action. The reversal was without prejudice to BankAtlantic's right to renew its summary judgment motion after the trial court made a determination as to plaintiff's ability to maintain this case as a class action. In December 1997, the trial court denied the plaintiff's motion for class certification and in January 1998 granted BankAtlantic's summary judgment motion. The Plaintiffs have appealed the trial court's ruling.

The balance of the loans associated with the Subject Portfolio amounted to approximately $6.8 million and $9.9 million at December 31, 1997 and 1996, respectively. The related dealer reserve had been completely charged-off by December 31, 1993. Net charge-offs relating to the Subject Portfolio amounted to $370,000, $666,000, and $1.0 million, for the years ended December 31, 1997, 1996 and 1995, respectively. At December 31, 1997, 11% of the loans were secured by collateral in South Florida and 89% of such loans were secured by collateral in the northeastern United States, respectively. Collateral for these loans is generally a second mortgage on the borrower's property. However, it appears that in most cases, the property is encumbered with loans having high loan to value ratios. Loans in the Subject Portfolio are charged-off if payments are more than 90 days delinquent. While management believes that established reserves will be adequate to cover any additional losses that BankAtlantic may incur from the Subject Portfolio or the above described litigation, there is no assurance that this will be the case.





18. PARENT COMPANY FINANCIAL INFORMATION

Condensed Statements of Financial Condition at December 31, 1997 and 1996 and Condensed Statements of Operations for each of the years in the three year period ended December 31, 1997 are shown below. (in thousands):

CONDENSED STATEMENTS OF FINANCIAL CONDITION

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | DECEMBER 31, 1996 |
|---|---|---|
| <S> | <C> | <C> |
| ASSETS | | |
| Cash deposited at BankAtlantic | $ 48,514 | $ 20,226 |
| Securities available for sale (at market value) | 7,233 | 5,843 |
| Loan receivable, net | 7,775 | 0 |
| Trading securities (at market value) | 5,067 | 0 |
| Investment in subsidiaries and joint ventures | 383,126 | 200,760 |
| Deferred offering costs on junior subordinated and subordinated debentures | 9,107 | 3,156 |
| Income tax receivable from BankAtlantic | 5,312 | 1,819 |
| Other assets | 239 | 175 |
| Total assets | $466,373 | $231,979 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Junior subordinated debentures and subordinated debentures | $255,187 | $ 78,500 |
| Due to BankAtlantic | 39 | 2,742 |
| Other liabilities | 3,976 | 3,033 |
| Total liabilities | 259,202 | 84,275 |

| | 1997 | 1996 |
|---|---|---|
| Stockholders' equity: | | |
| Preferred Stock, $0.01 par value 10,000,000 shares authorized; none outstanding | 0 | 0 |
| Class A common stock, $0.01 par value, authorized 80,000,000 shares; issued and outstanding, 21,509,159 and 18,128,782 shares | 215 | 78 |
| Class B common stock, $0.01 par value, authorized 45,000,000 shares; issued and outstanding, 10,690,231 and 10,542,116 shares | 107 | 105 |
| Additional paid-in capital | 98,475 | 64,171 |
| Retained earnings | 107,650 | 82,602 |
| Total stockholders' equity before net unrealized appreciation on debt securities available for sale - net of deferred income taxes | 206,447 | 146,956 |
| Net unrealized appreciation (depreciation) on securities available for sale owned by the Company and BankAtlantic - net of deferred income taxes were ($153) and $877 for 1997 and $0 and $748 for 1996, respectively | 724 | 748 |
| Total stockholders' equity | 207,171 | 147,704 |
| Total liabilities and stockholders' equity | $466,373 | $231,979 |

</TABLE>





18. PARENT COMPANY FINANCIAL INFORMATION--(CONTINUED)

CONDENSED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| <S> | <C> | <C> | <C> |
| Interest income on repurchase agreements and deposits at BankAtlantic | $ 2,337 | $ 597 | $ 51 |
| Interest income on loans and investments | 837 | 209 | 29 |
| Total interest income | 3,174 | 806 | 80 |
| Interest expense on subordinated debentures and junior subordinated debentures | 11,689 | 4,018 | 776 |
| Net interest (expense) | (8,515) | (3,212) | (696) |
| Gains of trading account securities, unrealized and realized | 2,463 | 0 | 0 |
| Other expenses | (544) | (39) | (5) |
| Loss before income tax benefit and earnings of subsidiaries | (6,596) | (3,251) | (701) |
| Income tax benefit | 2,481 | 1,253 | 274 |
| (Loss) before earnings of subsidiaries | (4,115) | (1,998) | (427) |
| Equity in undistributed net earnings of subsidiaries excluding BankAtlantic | 152 | 27 | 1 |
| Equity in net earnings of BankAtlantic | 31,732 | 20,982 | 18,845 |
| Net income | $ 27,769 | $ 19,011 | $18,419 |

</TABLE>





18. PARENT COMPANY FINANCIAL INFORMATION--(CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 1997 | 1996 | 1995 |
| | (IN THOUSANDS) | | |
| <S> | <C> | <C> | <C> |
| OPERATING ACTIVITIES: | | | |
| Net income | $ 27,769 | $ 19,011 | $ 18,419 |
| Adjustment to reconcile net income to net cash provided (used) by operating activities: | | | |
| Equity in net earnings of BankAtlantic and other subsidiaries | (31,884) | (21,009) | (18,846) |

| | | | |
|---|---|---|---|
| Accretion on securities available for sale | (57) | (209) | (29) |
| Purchase of trading securities, net | (6,243) | 0 | 69 |
| Sales of trading account securities | 3,640 | 0 | 0 |
| Realized and unrealized gains on sales of trading securities | (2,463) | 0 | 0 |
| Amortization of subordinated and junior subordinated debentures' deferred costs | 445 | 222 | 29 |
| Increase in accrued interest payable | 599 | 1,859 | 522 |
| Increase (decrease) in other liabilities | 78 | (42) | 416 |
| (Decrease) increase in receivable (payable) from (to) BankAtlantic | (2,703) | 3,381 | (241) |
| Increase in other assets | (35) | 0 | 0 |
| Increase in income tax receivable | (2,474) | (1,371) | (448) |
| Net cash provided (used) by operating activities | (13,328) | 1,842 | (109) |
| INVESTING ACTIVITIES: | | | |
| Purchase of BankAtlantic preferred stock | 0 | 0 | (4,000) |
| Loan participations with BankAtlantic | (6,500) | 0 | 0 |
| Loans originated to joint ventures | (1,633) | 0 | 0 |
| Principal reduction on loans | 358 | 0 | 0 |
| Investment in BBC Capital Trust I | (2,312) | 0 | 0 |
| Investment in Florida Atlantic Securities, Inc. | (237) | 0 | 0 |
| Additional investment in BankAtlantic | (161,200) | (54,000) | (6,000) |
| Dividends from subsidiaries | 13,386 | 6,080 | 3,034 |
| Purchase of securities available for sale | (7,482) | (13,617) | (3,663) |
| Proceeds from maturity of securities available for sale | 5,900 | 9,700 | 1,800 |
| Net cash used by investing activities | (159,720) | (51,837) | (8,829) |
| FINANCING ACTIVITIES: | | | |
| Issuance of common stock upon exercise of options, net | 1,857 | 413 | 1,709 |
| Issuance of common stock, net | 43,374 | 18,004 | 0 |
| Common stock dividends paid | (2,343) | (2,159) | (1,672) |
| Preferred stock dividends paid | 0 | 0 | (677) |
| Proceeds from issuance of junior subordinated debentures | 77,062 | 0 | |
| Deferred costs on junior subordinated debentures | (2,908) | 0 | |
| Proceeds from notes payable | 0 | 0 | 4,000 |
| Repayment of notes payable | 0 | (1) | (3,999) |
| Proceeds from issuance of subordinated debentures | 100,000 | 57,500 | 21,000 |
| Deferred costs on subordinated debentures | (3,518) | (2,356) | (1,052) |
| Preferred stock redemptions | 0 | 0 | (8,383) |
| Payment to acquire and retire common stock | (12,188) | (3,259) | 0 |
| Net cash provided by financing activities | 201,336 | 68,142 | 10,926 |
| Increase in cash and cash equivalents | 28,288 | 18,147 | 1,988 |
| Cash and cash equivalents at beginning of period | 20,226 | 2,079 | 91 |
| Cash and cash equivalents at end of period | $ 48,514 | $ 20,226 | $ 2,079 |

</TABLE>





18. PARENT COMPANY FINANCIAL INFORMATION--(CONTINUED)

<TABLE>
<CAPTION>

| | FOR THE YEAR ENDED DECEMBER 31, 1997 | 1996 | 1995 |
|---|---|---|---|
| | (IN THOUSANDS) | | |
| SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| Interest paid | $11,090 | $ 1,937 | $ 161 |
| Common stock dividends declared and not paid until subsequent period | 817 | 552 | 467 |
| Increase (decrease) in stockholders' equity from net unrealized appreciation on debt securities available for sale by BankAtlantic, less related deferred income taxes | (24) | (4,985) | 5,540 |
| Increase in equity for the tax effect related to the exercise of employee stock options | 913 | 118 | 173 |
| Issuance of Class A common stock upon conversion of subordinated debentures | 375 | 0 | 0 |

</TABLE>

19. SELECTED QUARTERLY RESULTS (UNAUDITED)

The following tables summarize the quarterly results of operations for the years ended December 31, 1997 and 1996 (in thousands except per share data):

<TABLE>
<CAPTION>

| 1997 | FIRST QUARTER | SECOND QUARTER | THIRD QUARTER | FOURTH QUARTER | TOTAL |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Interest income | $ 50,444 | $ 52,046 | $ 53,520 | $ 54,544 | $ 210,554 |
| Interest expense | 26,164 | 28,392 | 29,694 | 30,941 | 115,191 |
| Net interest income | $ 24,280 | $ 23,654 | $ 23,826 | $ 23,603 | $ 95,363 |
| Provision for loan losses | $ 2,476 | $ 2,686 | $ 3,671 | $ 2,435 | $ 11,268 |
| Net interest income after provision for loan losses | $ 21,804 | $ 20,968 | $ 20,155 | $ 21,168 | $ 84,095 |
| Income before income taxes | $ 10,428 | $ 11,159 | $ 10,527 | $ 13,408 | $ 45,522 |
| Net income | $ 6,341 | $ 6,821 | $ 6,429 | $ 8,178 | $ 27,769 |
| Basic earnings per share Class A | $ 0.22 | $ 0.24 | $ 0.24 | $ 0.28 | 0.98 |
| Basic earnings per share Class B | $ 0.22 | $ 0.23 | $ 0.22 | $ 0.26 | 0.94 |
| Diluted earnings per share Class A | $ 0.18 | $ 0.19 | $ 0.18 | $ 0.22 | 0.78 |
| Diluted earnings per share Class B | $ 0.18 | $ 0.19 | $ 0.18 | $ 0.21 | 0.77 |
| Basic weighted average number of common Class A shares outstanding | 18,146,296 | 17,940,645 | 17,170,265 | 18,863,989 | 18,029,784 |
| Basic weighted average number of common Class B shares outstanding | 10,569,392 | 10,742,040 | 10,603,426 | 10,680,958 | 10,649,135 |
| Diluted weighted average number of common Class A shares outstanding | 27,107,912 | 26,933,436 | 26,474,831 | 31,175,239 | 27,893,534 |
| Diluted weighted average number of common Class B shares outstanding | 11,673,630 | 11,767,040 | 12,072,176 | 11,812,208 | 11,765,385 |

</TABLE>

During the fourth quarter of 1997, BankAtlantic sold residential loans for a pre-tax gain of $4.1 million.





19. SELECTED QUARTERLY RESULTS (UNAUDITED)--(CONTINUED)

<TABLE>
<CAPTION>

| 1996 | FIRST QUARTER | SECOND QUARTER | THIRD QUARTER | FOURTH QUARTER | TOTAL |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Interest income | $ 32,092 | $ 32,758 | $ 38,521 | $ 49,260 | $ 152,631 |
| Interest expense | 15,620 | 15,096 | 19,610 | 26,705 | 77,031 |
| Net interest income | $ 16,472 | $ 17,662 | $ 18,911 | $ 22,555 | $ 75,600 |
| Provision for loan losses | $ 940 | $ 1,455 | $ 1,869 | $ 1,580 | $ 5,844 |
| Net interest income after provision for loan losses | $ 15,532 | $ 16,207 | $ 17,042 | $ 20,975 | $ 69,756 |
| Income before income taxes | $ 7,851 | $ 9,236 | $ 1,977 | $ 12,188 | $ 31,252 |
| Net income | $ 4,710 | $ 5,549 | $ 1,091 | $ 7,661 | $ 19,011 |
| Basic earnings per share Class A | $ 0.17 | $ 0.18 | $ 0.03 | $ 0.27 | $ 0.64 |
| Basic earnings per share Class B | $ 0.19 | $ 0.22 | $ 0.05 | $ 0.27 | $ 0.72 |
| Diluted earnings per share Class A | $ 0.16 | $ 0.18 | $ 0.03 | $ 0.21 | $ 0.58 |
| Diluted earnings per share Class B | $ 0.19 | $ 0.20 | $ 0.05 | $ 0.22 | $ 0.66 |
| Basic weighted average number of common Class A shares outstanding | 15,793,315 | 18,452,054 | 18,339,399 | 18,117,275 | 17,616,000 |
| Basic weighted average number of common Class B shares outstanding | 10,592,999 | 10,612,612 | 10,591,030 | 10,530,246 | 10,589,000 |
| Diluted weighted average number of common Class A shares outstanding | 15,793,315 | 18,452,054 | 18,369,399 | 27,009,599 | 21,968,058 |
| Diluted weighted average number of common Class B shares outstanding | 11,540,930 | 11,626,362 | 11,517,280 | 11,598,996 | 11,576,500 |

</TABLE>

During the third quarter of 1996, a SAIF one-time special assessment resulted in a pre-tax charge of $7.2 million. During the fourth quarter of 1996, the Company sold office properties with a book value of $8.1 million for a pre-tax gain of $3.1 million.

20. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The information set forth below provides disclosure of the estimated fair value of BankAtlantic's financial instruments presented in accordance with the requirements of Statement. of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("FAS 107") issued by the FASB.

Management has made estimates of fair value discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, management has no basis to determine whether the fair value presented would be indicative of the value negotiated in an actual sale. BankAtlantic's fair value estimates do not consider the tax effect that would be associated with the disposition of the assets or liabilities at their fair value estimates.





20. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS--(CONTINUED)

Fair values are estimated for loan portfolios with similar financial characteristics. Loans are segregated by category such as commercial, commercial real estate, residential mortgage, second mortgages, and other installment. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and non-performing categories.

The fair value of performing loans, except residential mortgage and adjustable rate loans, is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The estimate of average maturity is based on BankAtlantic's historical experience with prepayments for each loan classification, modified, as required, by an estimate of the effect of current economic and lending conditions. For performing residential mortgage loans, fair value is estimated by discounting contractual cash flows adjusted for national historical prepayment estimates using discount rates based on secondary market sources adjusted to reflect differences in servicing and credit costs.

For adjustable rate loans, the fair value is estimated at book value after adjusting for credit risk inherent in the loan. BankAtlantic's interest rate risk is considered insignificant since the majority of BankAtlantic's adjustable rate loans are based on prime rates or one year Constant Maturity Treasuries ("CMT") rates and adjust monthly or generally not greater than one year.

Fair values of non-performing loans are based on the assumption that non-performing loans are on a non-accrual status discounted at market rates during a 24 month work-out period. Assumptions regarding credit risk are determined using available market information and specific borrower information.

The book value of tax certificates approximates market value. Fair value of mortgage-backed and investment securities is estimated based on bid prices available from security dealers. Estimated cash flows of securities were based on BankAtlantic's historical experience, modified by current economic conditions.

Fair value of mortgage-backed securities is estimated based on bid prices available from security dealers.

Under FAS 107, the fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings and NOW accounts, and money market and checking accounts, is equal to the amount payable on demand at December 31, 1997 and 1996. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using current rates offered by BankAtlantic for such remaining maturities.

The book value of securities sold under agreements to repurchase approximates fair value.

The fair values of advances from FHLB, were based upon comparable terms to maturity, interest rates and issuer credit standing.

The fair value of convertible subordinated debentures and guaranteed preferred beneficial interests in the Company's junior subordinated debentures was based on quoted market prices on NASDAQ. The fair value of other subordinated debentures and notes payable was based on discounted value of contractual cash flows based on a market discount rate.

20. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS--(CONTINUED)

The following table presents information for the Company's financial instruments at December 31, 1997 and 1996 (in thousands):

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | | DECEMBER 31, 1996 | |
|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| <S> | <C> | <C> | <C> | <C> |
| Financial assets: | | | | |
| Cash and due from depository institutions ........................ | $ 82,787 | $ 82,787 | $ 102,995 | $ 102,995 |
| Federal funds sold and other short term investments .............. | 0 | 0 | 6,148 | 6,148 |
| Securities available for sale ......... | 607,490 | 607,490 | 439,345 | 439,345 |
| Trading securities .................... | 5,067 | 5,067 | 0 | 0 |
| Investment securities ................. | 55,213 | 55,213 | 54,511 | 54,511 |
| Loans receivable ...................... | 2,072,825 | 2,093,956 | 1,824,856 | 1,832,814 |
| Financial liabilities: | | | | |
| Deposits .............................. | $1,763,733 | $1,769,849 | $1,832,780 | $1,828,656 |
| Securities sold under agreements to repurchase and federal funds purchased ..................... | 61,216 | 61,216 | 190,588 | 190,593 |
| Advances from FHLB .................... | 697,707 | 704,042 | 295,700 | 293,587 |
| Subordinated debentures and note payable ........................ | 179,600 | 242,440 | 78,500 | 73,036 |
| Guaranteed preferred beneficial interests in Company's junior subordinated debentures ............ | 74,750 | 78,488 | 0 | 0 |

</TABLE>

The contract amount and related fees of BankAtlantic's commitments to extend credit, standby letters of credit, financial guarantees and forward FHLB commitments approximates fair value (see Note 15 for the contractual amounts of BankAtlantic's financial instrument commitments).

21. ACQUISITIONS

In September 1997, the Company entered into a joint ownership agreement with a newly formed company, FASI. FASI is a full-service investment banking and securities brokerage firm. Included in other assets is the Company's investment of $237,500 to acquire 50% ownership of FASI's voting stock and a $1.5 million five year loan to FASI. The investment is accounted for under the equity method. Included in the Company's statement of operations in other non-interest income during the year ended December 31, 1997 is $13,000 of income from FASI's operations.

Based on an agreement, the individual owning the remaining 50% of outstanding voting stock can require the Company to purchase such stock after the year 2000 through the year 2002. The sales price of the stock is based on a prescribed formula. After the year 2002 the company can require the shareholder to sell the stock to the Company based on a prescribed formula.

In October 1997, BankAtlantic acquired a 39.5% limited partnership interest and an .5% general partnership interest in Jupiter Yacht Club, Ltd., a real estate development project in Jupiter, Florida.





21. ACQUISITIONS--(CONTINUED)

Included in other assets is a $1.2 million investment in the limited partnership. The partnership is currently in the development stages resulting in no income or loss recorded in the statement of operations for 1997.

On October 31, 1997, BankAtlantic acquired SLWHC for approximately $20.0 million. SLWHC is the developer of the master planned community of SLW, located in St. Lucie County, Florida.

A preliminary analysis of the fair value of assets acquired and liabilities assumed in connection with the purchase of all the capital stock of SLWHC on October 31, 1997 follows:

| (IN THOUSANDS) | |
|---|---|
| Cash .......................................................... | $ 1,958 |
| Loans receivable, net ......................................... | 425 |
| Real estate held for development and sale ...................... | 19,421 |
| Other assets .................................................. | 1,984 |
| Fair value of assets acquired .................................. | 23,788 |
| Notes payable ................................................. | 1,816 |
| Other liabilities ............................................. | 2,022 |
| Fair value of liabilities assumed .............................. | 3,838 |
| Acquisition costs ............................................. | 75 |

| | |
|---|---|
| Purchase of real estate developer | 19,875 |
| Cash acquired | 1,958 |
| Purchase of real estate developer, net of cash acquired | $17,917 |

Due to timing of the acquisition of SLWHC, the above allocation is subject to change based upon receipt of appraisals and further evaluation. The SLWHC acquisition, which was consummated on October 31, 1997, was accounted for by the purchase method of accounting. Included in other non-interest income is $98,000 of net income related to the above acquisition from October 31, 1997 through December 31, 1997 which included a gain on sale of real estate of $727,000 and costs and expenses of $629,000. It is not currently anticipated that the amortization of purchase accounting adjustments will have a material effect on future results of operations.





21. ACQUISITIONS--(CONTINUED)

The following is proforma information for the year ended December 31, 1997 and 1996 as if the SLW acquisition was consummated on January 1, 1997 and 1996, respectively. The proforma information is not necessarily indicative of the combined financial position or results of operations which would have been realized had the acquisition been consummated during the period or as of the dates for which the proforma financial information is presented (in thousands, except for per share data):

<TABLE>
<CAPTION>

| | DECEMBER 31, 1997 | | DECEMBER 31, 1996 | |
|---|---|---|---|---|
| | HISTORICAL | PROFORMA | HISTORICAL | PROFORMA |
| <S> | <C> | <C> | <C> | <C> |
| Net interest income after provision for loan loss | $84,095 | $83,310 | $69,756 | $68,889 |
| Noninterest income | 43,359 | 42,543 | 33,737 | 28,510 |
| Noninterest expenses | 81,932 | 81,932 | 72,241 | 72,241 |
| Net income before provision for income taxes | 45,522 | 43,921 | 31,252 | 25,158 |
| Provision for income taxes | 17,753 | 17,135 | 12,241 | 9,890 |
| Net income | $27,769 | $26,786 | $19,011 | $15,268 |
| Basic earnings per share Class A | $ 0.98 | $ 0.95 | $ 0.64 | $ 0.51 |
| Basic earnings per share Class B | $ 0.94 | $ 0.91 | $ 0.72 | $ 0.60 |
| Diluted earnings per share Class A | $ 0.78 | $ 0.75 | $ 0.58 | $ 0.47 |
| Diluted earnings per share Class B | $ 0.77 | $ 0.74 | $ 0.66 | $ 0.55 |

</TABLE>

On October 11, 1996, BankAtlantic consummated its acquisition of Bank of North America Bancorp ("BNAB") for $53.8 million in cash. The acquisition was accounted for as a purchase for financial reporting purposes as of October 1, 1996. The results of operations include BNAB since October 1, 1996. Interest expense of $87,000 was imputed on the purchase price for the period of October 1, 1996 (effective date) through October 11, 1996 (acquisition date).

BNAB's primary asset was its wholly owned subsidiary, Bank of North America ("BNA"), a Florida chartered commercial bank. BNA had assets of $525.5 million and a net loss of $2.5 million for the nine months ended September 30, 1996 and net income of $2.2 million for the year ended December 31, 1995. BNA had 13 branches, 5 of which were consolidated with existing branches.

On February 17, 1995, BankAtlantic completed an acquisition of MegaBank, a Miami-based commercial bank, for $21.4 million in cash, of which $900,000 was paid to the Chief Executive Officer of MegaBank in connection with a non-competition agreement. MegaBank had assets of approximately $152 million. The MegaBank acquisition added 5 branches to BankAtlantic's branch network.

The MegaBank acquisition, accounted for by the purchase method of accounting, was effective for financial statement purposes as of February 1, 1995. The results of operations include MegaBank since February 1, 1995. Funds for this acquisition were obtained from traditional sources. Interest expense of $34,000 was imputed on the purchase price for the period of February 1, 1995 (effective date) through February 17, 1995 (acquisition date).





21. ACQUISITIONS--(CONTINUED)

The fair value of assets acquired and liabilities assumed in conjunction with the purchase of all the capital stock of Bank of North America in 1996 and MegaBank in 1995 is as follows:

| | DECEMBER 31, 1996 | DECEMBER 31, 1995 |
|---|---|---|
| | (IN THOUSANDS) | |
| Cash | $ 16,814 | $ 6,512 |
| Interest bearing deposits with banks | 19,795 | 0 |
| Investments | 0 | 1,700 |
| FHLB stock | 2,788 | 0 |
| Deferred tax asset | 2,464 | 2,718 |
| Loans receivable, net | 395,030 | 116,389 |
| Debt securities available for sale | 66,371 | 18,119 |
| Cost over fair value of net assets acquired | 19,313 | 12,072 |
| Accrued interest receivable | 4,181 | 1,208 |
| Real estate owned | 1,017 | 348 |
| Investment in real estate held for sale | 0 | 0 |
| Property and equipment | 6,098 | 613 |
| Mortgage loan servicing rights | 4,047 | 0 |
| Non-competition agreement | 0 | 900 |
| Other assets | 8,220 | 3,116 |
| Fair value of assets acquired | 546,138 | 163,695 |
| Deposits | 469,092 | 120,165 |
| Securities sold under agreements to repurchase | 1,935 | 20,615 |
| FHLB advances | 5,027 | 0 |
| Notes payable | 0 | 0 |
| Advances by borrowers for taxes and insurance | 8,740 | 0 |
| Other liabilities | 6,874 | 1,954 |
| Fair value of liabilities assumed | 491,668 | 142,734 |
| Acquisition costs | 655 | 465 |
| Purchase of Bank | 55,125 | 21,426 |
| Cash acquired | 16,814 | 6,512 |
| Purchase of Bank, net of cash acquired | $ 38,311 | $ 14,914 |





21. ACQUISITIONS--(CONTINUED)

The following table indicates the estimated net decrease in earnings resulting from the net amortization/accretion of the adjustments, including the excess of costs over fair value of net assets acquired, resulting from the use of the purchase method of accounting during each of the years 1998 through 2002 for the Bank acquisitions. The amounts (in thousands) assume no sales or dispositions of the related assets or liabilities.

| YEARS ENDING DECEMBER 31, | NET DECREASE OF NET EARNINGS |
|---|---|
| 1998 | $ (2,620) |
| 1999 | $ (2,497) |
| 2000 | $ (2,508) |
| 2001 | $ (2,508) |
| 2002 | $ (2,508) |
| Thereafter | $ (13,646) |

Adjustments to fair value are being amortized on a straight-line basis, which approximates the level yield method, over the estimated average term of three years for loans and investments, and one year for deposits. Cost over fair value of net assets acquired does not qualify for amortization for tax purposes. Costs over fair value of net assets acquired is being amortized on a straight-line basis over its estimated useful life of 15 years and 10 years for the BNA and MegaBank acquisitions, respectively. The cost over fair value of net assets acquired as of December 31, 1997 and 1996 is $26.2 million and $28.6 million. The $900,000 non-competition agreement is considered an intangible asset for tax purposes and amortized ratably over 15 years. At December 31, 1997 and 1996, the non-competition agreement balance was $139,000 and $417,000, respectively. The agreement is being amortized on a straight-line basis for financial statement purposes over its useful life which was revised from six years to approximately three years upon the resignation of the former MegaBank CEO from BankAtlantic.





21. ACQUISITIONS--(CONTINUED)

The following is proforma information for the year ended December 31, 1996 and 1995 as if the Bank acquisitions were consummated on January 1, 1996 and 1995, respectively. The proforma information is not necessarily indicative of the combined financial position or results of operations which would have been realized had the acquisition been consummated during the period or as of the dates for which the proforma financial information is presented (in thousands, except for per share data):

| | FOR THE YEAR ENDED | | | |
|---|---|---|---|---|
| | DECEMBER 31, 1996 | | DECEMBER 31, 1995 | |
| | HISTORICAL | PROFORMA | HISTORICAL | PROFORMA |
| Interest income | $152,631 | $182,921 | $130,077 | $170,071 |
| Interest expense | 77,031 | 95,975 | 65,686 | 91,756 |
| Provision for loan losses | 5,844 | 9,087 | 4,182 | 5,332 |
| Net interest income after provision for loan losses | 69,756 | 77,859 | 60,209 | 72,983 |
| Net Income | $ 19,011 | $ 13,807 | $ 18,419 | $ 17,143 |
| Basic earnings per share Class A | $ 0.64 | $ 0.45 | $ N/A | $ N/A |
| Basic earnings per share Class B | $ 0.72 | $ 0.55 | $ 0.64 | $ 0.59 |
| Diluted earnings per share Class A | $ 0.58 | $ 0.42 | $ N/A | $ N/A |
| Diluted earnings per share Class B | $ 0.66 | $ 0.51 | $ 0.62 | $ 0.57 |

The proforma includes losses incurred by BNA of $3.0 million on the sale of treasury notes and a $2.3 million SAIF one-time special assessment.

22. OTHER INFORMATION

Alan B. Levan serves as the Chairman, Chief Executive Officer and President of BankAtlantic, the Company and BFC. John E. Abdo is the Vice Chairman of BankAtlantic, the Company, and BFC and also President and Chief Executive Officer of St. Lucie West Holding Corp., a wholly owned subsidiary of BankAtlantic Development Corporation and President of BankAtlantic Development Corporation, a wholly owned subsidiary of BankAtlantic.

23. SUBSEQUENT EVENTS (UNAUDITED)

On February 9, 1998 the Company entered into a definitive agreement with Ryan, Beck & Co. ("RBCO") whereby all of RBCO outstanding shares would be acquired by the Company in exchange for shares of the Company's Class A common stock. RBCO will be a wholly-owned subsidiary of the Company, however it is anticipated that it will be an autonomous independent subsidiary, operated by RBCO's current management. RBCO, based in New Jersey, engages in underwriting, market making distribution, trading of bank and thrift equity and debt securities, tax exempt bonds, consulting, research and financial advisory services. The total assets and equity of RBCO at December 31, 1997 were $56.6 million and $14.7 million, respectively, and net income for the year ended December 31, 1997 was $ 3.9 million. The agreement establishes an exchange ratio of .761 shares of Class A common stock for each share of RBCO, which ,based on the closing price of the Class A common stock on February 9, 1998, results in an aggregate purchase price of approximately $39.4 million. As part of the





23. SUBSEQUENT EVENTS (UNAUDITED)--(CONTINUED)

agreement, the Company has agreed to grant RBCO a long-term subordinated loan to enable RBCO to expand into new products and markets.

The agreement establishes an incentive and retention pool, under which additional Class A shares representing approximately 20% of the transaction value from the acquisition will be allocated to key employees of RBCO. The allocated shares will be distributed in four years to employees who remain for the period. It is anticipated that the retention pool will be considered compensation under generally accepted accounting principals.

The agreement is subject to the receipt of all regulatory approvals and the approval of the shareholders of RBCO. It is anticipated that the transaction will be closed, contingent upon the above approvals, in the second quarter of 1998 and will be accounted for under the purchase method of accounting.

On February 26, 1998, the Company entered into an agreement to acquire Leasing Technology Inc. ("LTI"). LTI is engaged in all facets of equipment leasing and financing. LTI principally leases or finances trucks, manufacturing and construction equipment to businesses primarily located in South Florida.

Total assets and equity at December 31, 1997 were $10.9 million and $2.3 million, respectively, and LTI's adjusted income before taxes for the year ended December 31, 1997 was $1.5 million. The aggregate purchase price is $9.3 million. All of LTI's outstanding shares will be acquired by the Company for Class A common stock. LTI is anticipated to operate as a wholly-owned subsidiary of BankAtlantic and the acquisition will be accounted for under the purchase method of accounting.

The agreement is subject to the receipt of all regulatory approvals. It is anticipated that the transaction will be closed, contingent upon the above approvals in the first quarter of 1998.

On February 3, 1998, a special meeting of shareholders of the Company was held. The Company's Class A and Class B common shareholders approved an amendment to the Company's Articles of Incorporation increasing the authorized number of Class A and Class B common shares to 80,000,000 and 45,000,000, respectively.

In February 1998 a judgment related to the Subject Portfolio was entered in favor of BankAtlantic. See Note 17 for further discussion.



ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Items 10 through 13 will be provided by incorporating the information required under such items by reference to the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission, no later than 120 days after the end of the year covered by this Form 10K, or, alternatively, by amendment to this Form 10K under cover of 10K-A no later than the end of such 120 day period

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8K

(A) DOCUMENTS FILED AS PART OF THIS REPORT:

(1) FINANCIAL STATEMENTS

The following consolidated financial statements of BankAtlantic Bancorp, Inc. and its subsidiaries are included herein under Part II, Item 8 of this Report.

Independent Auditor's Report dated January 21, 1998, except as to Note 23 which is dated February 27, 1998.

Consolidated Statements of Financial Condition as of December 31, 1997 and 1996.

Consolidated Statements of Operations for each of the years in the three year period ended December 31, 1997.

Consolidated Statements of Stockholders' Equity for each of the years in the three year period ended December 31, 1997.

Consolidated Statements of Cash Flows for each of the years in the three year period ended December 31, 1997.

Notes to Consolidated Financial Statements for the three years ended December 31, 1997.

(2) FINANCIAL STATEMENT SCHEDULES

All schedules are omitted as the required information is either not applicable or presented in the financial statements or related notes.

(3) EXHIBITS

The following exhibits are either filed as a part of this Report or are incorporated herein by reference to documents previously filed as indicated below:

<TABLE>
<CAPTION>

| EXHIBIT NUMBER | DESCRIPTION | REFERENCE |
|---|---|---|
| <S> | <C> | <C> |
| 3.1 | Amended and Restated Articles of Incorporation. | Exhibit 3.1 to the Registrant's Registration Statement on Form S-3, filed on June 5, 1996 (Registration No. 333-05287). |
| 3.2 | Amendment to the Articles of Incorporation. | Filed with this report. |
| 3.3 | Bylaws. | Exhibit 3.2 to the Registrant's Registration Statement on Form S-4, filed on May 5, 1994 (Registration No. 33-77708). |

| | | |
|---|---|---|
| 10.1 | Indenture for the Registrant's 9% Subordinated Debentures due 2005. | Exhibit 4.1 to the Registrant's Registration Statement on Form S-2, filed on August 25, 1995 (Registration No. 33-96184). |
| 10.2 | Indenture for the Registrant's 6-3/4% Convertible Subordinated Debentures due 2006. | Exhibit 4.1 to the Registrant's Registration Statement on Form S-3, filed on June 5, 1996 (Registration No. 333-05287). |
| 10.3 | Indenture for the Registrant's 9-1/2% Junior Subordinated Debentures due 2027. | Exhibit 4.1 to the Registrant's Registration Statement on Form S-3, filed on March 21, 1997 (Registration No. 333-23771 and 333-23771-01). |
| 10.4 | Indenture for the Registrant's 5-5/8% Convertible Subordinated Debentures due 2007. | Exhibit 4.1 to the Registrant's Registration Statement on Form S-3, filed on October 27, 1997 (Registration No. 333-38799). |
| 10.5 | Key Employees' Stock Option Plan. | Exhibit 10.1 to the Registrant's Registration Statement on Form S-4, filed on May 5, 1994 (Registration No. 33-77708). |
| 10.6 | BankAtlantic Bancorp 194 Stock Option Plan. | Exhibit 10.2 to the Registrant's Registration Statement on Form S-4, filed on May 5, 1994 (Registration No. 33-77708). |
| 10.7 | BankAtlantic Bancorp 1996 Stock Option Plan. | Appendix A to the Registrant's Definitive Proxy Statement filed on April 25, 1996 |
| 12.1 | Ratio of Earnings to Fixed Charges. | Filed with this Report. |
| 21.1 | Subsidiaries of the Registrant. | Filed with this Report. |
| 23.1 | Consent of KPMG Peat Marwick, LLP. | Filed with this Report. |
| 27 | Financial Data Schedule. | Filed with this Report. |
| (B) REPORTS ON FORM 8-K | | |
| | Ryan, Beck & Co. and BankAtlantic Bancorp, Inc. acquisition agreement dated as of February 9, 1998 | Form 8K filed on February 13, 1998. |
| | Acquisition of St. Lucie West Holding Corp., dated as of October 31, 1997 | Form 8K filed on November 6, 1998. |

</TABLE>

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANKATLANTIC BANCORP, INC.

March 13, 1998

By: /s/ ALAN B. LEVAN
-----------------------------------
Alan B. Levan,
Chairman of the Board,
Chief Executive Officer and
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated.

<TABLE>
<CAPTION>

| SIGNATURES | TITLE |
|---|---|
| /s/ ALAN B. LEVAN<br>- --------------------------------<br>Alan B. Levan | Chairman of the Board, Chief Executive Officer and President |
| /s/ JOHN E. ABDO<br>- --------------------------------<br>John E. Abdo | Vice Chairman of the Board; President of BankAtlantic Development Corporation |
| /s/ FRANK V. GRIECO<br>- --------------------------------<br>Frank V. Grieco | Senior Executive Vice President and Director |
| /s/ JASPER R. EANES<br>- --------------------------------<br>Jasper R. Eanes | Executive Vice President and Chief Financial Officer |
| /s/ STEVEN M. COLDREN<br>- --------------------------------<br>Steven M. Coldren | Director |

| | |
|---|---|
| /s/ MARY E. GINESTRA<br>Mary E. Ginestra | Director |
| /s/ BRUNO DI GIULIAN<br>Bruno Di Giulian | Director |
| /s/ CHARLIE C. WINNINGHAM, II<br>Charlie C. Winningham, II | Director |

</TABLE>

EXHIBIT INDEX

| EXHIBIT | | PAGE |
|---|---|---|
| 3.2 | Amendment to the Articles of Incorporation. | |
| 12.1 | Ratio of Earnings to Fixed Charges. | |
| 21.1 | Subsidiaries of the Registrant. | |
| 23.1 | Consent of KPMG Peat Marwick, LLP. | |
| 27 | Financial Data Schedule. | |

EXHIBIT 3.2

ARTICLES OF AMENDMENT
TO
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
BANKATLANTIC BANCORP, INC.

The Amended and Restated Articles of Incorporation of BANKATLANTIC BANCORP, INC., a Florida corporation (the "Corporation"), are hereby amended pursuant to the provisions of Section 607.1006 of the Florida Business Corporation Act as follows:

1. The introductory paragraph of Article III shall be deleted in its entirety and amended to read as follows:

ARTICLE III - CAPITAL STOCK

The aggregate number of shares of capital stock which this Corporation shall have authority to issue is One Hundred Thirty Five Million (135,000,000) of which Ten Million (10,000,000) shall be preferred stock, par value $.01 per share, and of which One Hundred Twenty Five Million (125,000,000) shall be common stock, par value $.01 per share, consisting of Eighty Million (80,000,000) shares of a class designated "Class A Common Stock" and Forty Five Million (45,000,000) shares of a class designated "Class B Common Stock" (the Class A Common Stock and the Class B Common Stock are sometimes hereinafter referred to collectively as the "Common Stock"). The preferred stock may be divided into and issued in series by the Board of Directors as set forth below. The Board of Directors shall fix the consideration to be received for each share. Such consideration shall consist of any tangible or intangible property or benefit to this Corporation, including cash, promissory notes, services performed or securities of other corporations or entities and shall have a value, in the judgment of the Board of Directors, equivalent to or greater than the full par value of the shares. In the case of a stock dividend, that part of the surplus of the Corporation which is transferred to stated capital upon the issuance of shares as a share dividend shall be deemed to be the consideration for their issuance.

IN WITNESS WHEREOF, the undersigned hereby certifies that the foregoing Articles of Amendment to the Amended and Restated Articles of Incorporation of the Corporation were duly adopted and approved by the Board of Directors of the Corporation, and approved by the requisite holders of each of the Corporation's Class A Common Stock and Class B Common Stock, voting as separate groups, at a Special Meeting of Stockholders of the Corporation held on February 3, 1998. The number of votes cast for the amendment by the holders of the Class A Common Stock and by the holders of the Class B Common Stock was in the case of each such voting group sufficient for approval.

BANKATLANTIC BANCORP, INC.

By:/s/ ALAN B. LEVAN
--------------------------
Alan B. Levan,
Chairman of the Board

Dated: February 4, 1998

EXHIBIT 12.1

RATIOS OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

RATIO OF EARNINGS TO FIXED CHARGES

| (IN THOUSANDS) | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Earnings (loss) before income taxes and extraordinary items | $ 45,522 | $ 31,252 | $28,437 | $26,497 | $23,171 |
| Fixed interest charges | 116,221 | 78,303 | 66,862 | 42,227 | 36,758 |
| Earnings (loss): | | | | | |
| Including fixed interest charges | 161,743 | 109,555 | 95,299 | 68,724 | 59,929 |
| Excluding interest expense on deposits | 93,462 | 54,527 | 48,653 | 37,078 | 28,131 |
| Fixed interest charges excluding interest expense on deposits | 47,940 | 23,275 | 20,216 | 10,581 | 4,960 |
| Ratios: | | | | | |
| Earnings including fixed interest charges to fixed interest charges | 1.39 | 1.40 | 1.43 | 1.63 | 1.63 |
| Earnings to fixed interest excluding interest on deposits | 1.95 | 2.34 | 2.41 | 3.50 | 5.67 |
| Dollar deficiency of earnings to fixed interest charges | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |

FOR THE YEARS ENDED DECEMBER 31,

</TABLE>

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

<TABLE>
<CAPTION>

| SUBSIDIARY NAME | DATE OF INCORPORATION | BUSINESS PURPOSE |
|---|---|---|
| SUBSIDIARIES OF BANKATLANTIC BANCORP, INC. | | |
| <S> | <C> | <C> |
| ATM Services, Inc. | May 1991 | Operates ATM equipment. |
| BankAtlantic, A Federal Savings Bank | February 1952 | A federal savings bank that provides traditional retail banking services. |
| BBC Capital Trust 1 | March 1997 | A statutory business trust. |
| Cruise ATM Services, Inc. | October 1996 | Operates ATM equipment located aboard cruise ships. |
| Florida Atlantic Securities, Inc. | April 1997 | Brokerage firm. |
| National Viatical Funding Corporation | June 1997 | Viatical services. |
| TSC Holding, Inc. | November 1995 | Invests in tax certificates. |
| SUBSIDIARIES OF BANKATLANTIC, A FEDERAL SAVINGS BANK | | |
| BANC Servicing Center, Inc. | September 1995 | Provides mortgage servicing and quality control services. |
| BankAtlantic Development Corporation | December 1982 | Invested in various real estate joint ventures that acquired, developed, sold and leased real property. |
| BankAtlantic Factors, Inc. | January 1997 | Factors receivables. |
| BankAtlantic Leasing, A Florida Corp. | August 1989 | Funded automobile leases. |
| BankAtlantic Venture Partners 1, Inc. | December 1985 | Invests in real estate joint ventures. |
| BankAtlantic Venture Partners 2, Inc. | December 1986 | Invests in real estate joint ventures. |
| BankAtlantic Venture Partners 3, Inc. | December 1987 | Invests in real estate joint ventures. |
| BankAtlantic Venture Partners 4, Inc. | December 1987 | Invests in real estate joint ventures. |
| BankAtlantic Venture Partners 5, Inc. | December 1987 | Invests in real estate joint ventures. |
| BNA Management and Acquisition Services, Inc.* | February 1991 | Inactive. |
| Bank North America Mortgage Corp* | December 1993 | Inactive. |
| Fidelity Service Corporation | October 1970 | Custodial vehicle for mortgage documents and agreements in connection with sales to FNMA. |
| Gateway Center, Inc. | January 1994 | Holds title of operations center. |
| Hammock Homes, Incorporated | October 1990 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 1, Incorporated | February 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 2, Incorporated | February 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 3, Incorporated | February 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 4, Incorporated | February 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 7, Incorporated | May 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 11, Incorporated | May 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 12, Incorporated | May 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 13, Incorporated | May 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 14, Incorporated | May 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 15, Incorporated | January 1990 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 16, Incorporated | June 1992 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 18, Incorporated | June 1992 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 19, Incorporated | June 1992 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 20, Incorporated | June 1992 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 21, Incorporated* | February 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |

| | | |
|---|---|---|
| Heartwood 87, Incorporated | March 1987 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 88, Incorporated | May 1988 | Takes title, manages, and disposes of BankAtlantic's tax lien acquisitions. |
| Heartwood 90, Incorporated | November 1990 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 91, Incorporated | January 1991 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 91-1 Incorporated | February 1986 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 91-2, Incorporated | July 1987 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 91-3, Incorporated | December 1985 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood 91-4, Incorporated | January 1986 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Heartwood Promenade, Incorporated | July 1988 | Takes title, manages, and disposes of BankAtlantic's foreclosures. |
| Professional Valuation Services, Inc. | October 1987 | Originally formed for the purpose of preparing appraisals of properties on a fee basis and currently receives commissions from a broker-dealer on security sales at BankAtlantic branches. |

</TABLE>

*Acquired BNA subsidiaries on October 11, 1996.

All subsidiaries are incorporated in the State of Florida except for Cruise ATM Services, Inc. which is a Nevada Corporation , BBC Capital Trust I, which is a Delaware Corporation and BankAtlantic, A Federal Savings Bank which is incorporated in the United States of America.

EXHIBIT 23.1

ACCOUNTANTS' CONSENT

ACCOUNTANTS' CONSENT

The Board of Directors
BankAtlantic Bancorp, Inc.:

We consent to incorporation by reference in the Registration Statements on Form S-8 of BankAtlantic Bancorp, Inc. of our report dated January 21, 1998, except as to Note 23 which is dated February 26, 1998 relating to the Consolidated Statements of Financial Condition of BankAtlantic Bancorp, Inc. and subsidiaries as of December 31, 1997 and 1996 and the related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for each of the years in the three year period ended December 31, 1997 which report appears in the December 31, 1997 Annual Report on Form 10-K of BankAtlantic Bancorp, Inc.

/s/KPMG Peat Marwick LLP

Ft. Lauderdale, Florida
March 13, 1998

<TABLE> <S> <C>

<ARTICLE> 9
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AT DECEMBER 31, 1997 AND THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<CIK> 0000921768
<NAME> BANKATLANTIC BANCORP, INC.
<MULTIPLIER> 1,000
<CURRENCY> U.S. DOLLAR

| <S> | <C> |
|---|---|
| <PERIOD-TYPE> | 12-MOS |
| <FISCAL-YEAR-END> | DEC-31-1997 |
| <PERIOD-START> | JAN-01-1997 |
| <PERIOD-END> | DEC-31-1997 |
| <EXCHANGE-RATE> | 1 |
| <CASH> | 82,787 |
| <INT-BEARING-DEPOSITS> | 0 |
| <FED-FUNDS-SOLD> | 0 |
| <TRADING-ASSETS> | 5,067 |
| <INVESTMENTS-HELD-FOR-SALE> | 607,490 |
| <INVESTMENTS-CARRYING> | 55,213 |
| <INVESTMENTS-MARKET> | 55,213 |
| <LOANS> | 2,101,275 |
| <ALLOWANCE> | 28,450 |
| <TOTAL-ASSETS> | 3,064,480 |
| <DEPOSITS> | 1,763,733 |
| <SHORT-TERM> | 171,216 |
| <LIABILITIES-OTHER> | 80,303 |
| <LONG-TERM> | 842,057 |
| <PREFERRED-MANDATORY> | 0 |
| <PREFERRED> | 0 |
| <COMMON> | 322 |
| <OTHER-SE> | 206,849 |
| <TOTAL-LIABILITIES-AND-EQUITY> | 3,064,480 |
| <INTEREST-LOAN> | 171,685 |
| <INTEREST-INVEST> | 38,869 |
| <INTEREST-OTHER> | 0 |
| <INTEREST-TOTAL> | 210,554 |
| <INTEREST-DEPOSIT> | 68,281 |
| <INTEREST-EXPENSE> | 115,191 |
| <INTEREST-INCOME-NET> | 95,363 |
| <LOAN-LOSSES> | 11,268 |
| <SECURITIES-GAINS> | 4,830 |
| <EXPENSE-OTHER> | 81,932 |
| <INCOME-PRETAX> | 45,522 |
| <INCOME-PRE-EXTRAORDINARY> | 45,522 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | 27,769 |
| <EPS-PRIMARY> | 0.98 |
| <EPS-DILUTED> | 0.78 |
| <YIELD-ACTUAL> | 8.29 |
| <LOANS-NON> | 17,569 |
| <LOANS-PAST> | 647 |
| <LOANS-TROUBLED> | 4,043 |
| <LOANS-PROBLEM> | 0 |
| <ALLOWANCE-OPEN> | 25,750 |
| <CHARGE-OFFS> | 11,330 |
| <RECOVERIES> | 2,762 |
| <ALLOWANCE-CLOSE> | 28,450 |
| <ALLOWANCE-DOMESTIC> | 28,327 |
| <ALLOWANCE-FOREIGN> | 123 |
| <ALLOWANCE-UNALLOCATED> | 0 |

</TABLE>