

**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): August 7, 2007**

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**BANKFINANCIAL CORPORATION**

(Exact Name of Registrant as Specified in Charter)

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**Maryland**  
(State or Other Jurisdiction  
of Incorporation)

**0-51331**  
(Commission File No.)

**75-3199276**  
(I.R.S. Employer  
Identification No.)

**15W060 North Frontage Road, Burr Ridge, Illinois**  
(Address of Principal Executive Offices)

**60527**  
(Zip Code)

**Registrant's telephone number, including area code: (800) 894-6900**

**Not Applicable**

(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 8.01. Other Events.**

On August 7, 2007, the Company issued a press release announcing the filing of its Quarterly Report on Form 10-Q for the three and six months ended June 30, 2007 and a Quarterly Financial and Statistical Supplement. The press release also reported earnings for the three and six months ended June 30, 2007. The press release and Quarterly Financial and Statistical Supplement are included as Exhibits 99.1 and 99.2 to this report.

The information in the preceding paragraph, as well as Exhibits 99.1 and 99.2, is considered to be “furnished” under the Securities Exchange Act of 1934, and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

**Item 9.01. Financial Statements and Exhibits.**

- (a) Not Applicable.
- (b) Not Applicable.
- (c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated August 7, 2007
99.2	Quarterly Financial and Statistical Supplement

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**SIGNATURES**

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

**BANKFINANCIAL CORPORATION**

Date: August 7, 2007

By: /s/ F. MORGAN GASIOR

F. Morgan Gasior

Chairman of the Board, Chief Executive Officer and President

**FOR IMMEDIATE RELEASE**

**BankFinancial Corporation Reports Second Quarter 2007 Earnings and  
Filing of Quarterly Report on Form 10-Q  
and Quarterly Financial and Statistical Supplement  
with the Securities and Exchange Commission**

**Burr Ridge, Illinois**—(August 7, 2007) BankFinancial Corporation (Nasdaq – BFIN) (“BankFinancial”) announced that it has filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and a Quarterly Financial And Statistical Supplement on Form 8-K, with the U.S. Securities and Exchange Commission (the “SEC”).

BankFinancial reported net income of \$2.3 million, or \$0.11 per common share, for the three months ended June 30, 2007, compared to \$2.9 million, or \$0.13 per common share, for the three months ended June 30, 2006. Net income for the three months ended June 30, 2007 includes \$780,000, net of taxes, or \$0.04 per common share, of stock-based compensation expense, compared to \$275,000, net of taxes, or \$0.01 per common share, for the three months ended June, 2006.

Net income for the six months ended June 30, 2007, was \$4.0 million, or \$0.19 per common share, compared to \$6.0 million, or \$0.27 per common share, for the six months ended June 30, 2006. Net income for the six months ended June 30, 2007 includes \$1.5 million, net of taxes, or \$0.07 per common share, of stock-based compensation expense, compared to \$506,000, net of taxes, or \$0.02 per common share, for the six months ended June, 2006.

At June 30, 2007, BankFinancial had total assets of \$1.532 billion, total loans of \$1.283 billion, total deposits of \$1.105 billion and stockholders’ equity of \$307 million. During the first half of 2007, BankFinancial repurchased 1,364,617 shares at an aggregate cost of approximately \$23.0 million.

The Quarterly Report on Form 10-Q and the Quarterly Financial And Statistical Supplement is available at BankFinancial’s Internet site, [www.bankfinancial.com](http://www.bankfinancial.com) under Stockholder Information and at the SEC’s Internet site, [www.sec.gov](http://www.sec.gov). Management will review second quarter 2007 results in a conference call and webcast for stockholders and analysts on Wednesday, August 8, 2007 at 9:30 a.m. Central Time. The conference call may be accessed by calling (866) 831-6291 and using participant passcode 30740661. The conference call will be simultaneously webcast at [www.bankfinancial.com](http://www.bankfinancial.com), on the “Stockholder Information” page. For those persons unable to participate in the conference call, the webcast will be archived through 5:00 p.m. CST on August 22, 2007 on our website.

BankFinancial Corporation is the holding company for BankFinancial, F.S.B., a full-service, community-oriented savings bank providing financial services to individuals, families and businesses through 18 full-service banking offices, located in Cook, DuPage, Lake and Will Counties, Illinois. BankFinancial Corporation became a publicly-traded company on June 24, 2005, and its common stock trades on the Nasdaq Stock Market under the symbol BFIN.

“Forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995 may be included in this release. A variety of factors could cause BankFinancial Corporation’s actual results to differ from those expected at the time of this release. Investors are urged to carefully review and consider the various disclosures made by BankFinancial Corporation in its periodic reports filed with the Securities and Exchange Commission, including the risk factors and other information disclosed in BankFinancial Corporation’s Annual Report on Form 10-K for the most recently ended fiscal year. Copies of these filings are available at no cost on the SEC’s web site at <http://www.sec.gov> or on BankFinancial’s web site at <http://www.bankfinancial.com>.

**For Further Information**

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**BankFinancial Corporation**  
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**BANKFINANCIAL CORPORATION**  
**SECOND QUARTER 2007**  
**QUARTERLY FINANCIAL AND STATISTICAL SUPPLEMENT**  
**FOR THE LATEST FIVE QUARTERS**

Note: Certain reclassifications have been made in the prior period's financial statements and reflected in the Selected Quarterly Financial and Statistical Data tables to conform with the current period's presentation.

The information and statistical data contained herein have been prepared by BankFinancial Corporation and have been derived or calculated from selected quarterly and period-end historical financial statements prepared in accordance with accounting principles generally accepted in the United States. BankFinancial Corporation is under no obligation to update, keep current or continue to provide the information contained herein. This information is provided solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or establish any business relationships with BankFinancial Corporation or its subsidiary.

**BANKFINANCIAL CORPORATION**  
**SELECTED QUARTERLY FINANCIAL AND STATISTICAL DATA**  
**Latest Five Quarters**

(Dollars in thousands; except per share) – (Unaudited)

**PERFORMANCE MEASUREMENTS:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
Return on assets (ratio of net income to average total assets) (1)	0.61%	0.42%	0.30%	0.68%	0.69%
Return on equity (ratio of net income to average equity) (1)	3.01	2.03	1.48	3.34	3.43
Net interest rate spread (1)	2.88	2.98	2.91	2.86	2.84
Net interest margin (1)	3.74	3.84	3.74	3.71	3.62
Efficiency ratio	80.79	81.66	93.01	75.37	73.68
Noninterest expense to average total assets (1)	3.28	3.31	3.82	3.14	2.95
Average interest-earning assets to average interest-bearing liabilities	131.30	132.31	131.53	133.87	132.60
Offices	18	18	18	18	18
Employees (full time equivalents)	418	425	438	452	468

**SUMMARY INCOME STATEMENT:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
Total interest income	\$ 23,111	\$ 23,793	\$ 23,867	\$ 24,244	\$ 23,683
Total interest expense	9,760	9,765	9,854	9,792	9,363
Net interest income before provision	13,351	14,028	14,013	14,452	14,320
Provision (credit) for loan losses	(354)	581	(537)	49	156
Net interest income	13,705	13,447	14,550	14,403	14,164
Noninterest income	2,327	2,042	2,533	2,658	2,587
Noninterest expense	12,666	13,122	15,390	12,895	12,457
Income before income tax	3,366	2,367	1,693	4,166	4,294
Income tax expense	1,028	716	486	1,371	1,390
Net income	<u>\$ 2,338</u>	<u>\$ 1,651</u>	<u>\$ 1,207</u>	<u>\$ 2,795</u>	<u>\$ 2,904</u>
Basic earnings per common share	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.12</u>	<u>\$ 0.13</u>
Diluted earnings per common share	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.12</u>	<u>\$ 0.13</u>

**NONINTEREST INCOME AND EXPENSE:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>Noninterest Income:</b>					
Deposit service charges and fees	\$ 918	\$ 835	\$ 1,022	\$ 1,142	\$ 1,117
Other fee income	499	461	507	466	482
Insurance commissions and annuities income	225	244	378	363	352
Gain on sales of loans	1	48	61	95	53
Gain (loss) on sales of investment securities	—	—	(43)	89	55
Gain on disposition of premises and equipment	7	6	1	—	1
Loan servicing fee income	214	211	227	230	237
Amortization and impairment of servicing assets	(106)	(95)	(121)	(120)	(146)
REO operations	—	—	1	(15)	(26)
Earnings on bank owned life insurance	135	—	—	—	—
Other	434	332	500	408	462
Total noninterest income	<u>\$ 2,327</u>	<u>\$ 2,042</u>	<u>\$ 2,533</u>	<u>\$ 2,658</u>	<u>\$ 2,587</u>
<b>Noninterest Expense:</b>					
Compensation and benefits	\$ 7,860	\$ 8,437	\$ 10,674	\$ 8,241	\$ 7,875
Office occupancy and equipment	1,399	1,507	1,416	1,530	1,340
Advertising	455	228	243	396	389
Data processing	823	749	855	873	825
Supplies, telephone and postage	484	568	560	583	450
Amortization of intangibles	469	477	489	496	495
Other	1,176	1,156	1,153	776	1,083
Total noninterest expenses	<u>\$ 12,666</u>	<u>\$ 13,122</u>	<u>\$ 15,390</u>	<u>\$ 12,895</u>	<u>\$ 12,457</u>

(1) Annualized

**BANKFINANCIAL CORPORATION**  
**SELECTED QUARTERLY FINANCIAL AND STATISTICAL DATA**  
**Latest Five Quarters**

(Dollars in thousands; except per share) – (Unaudited)

**SUMMARY BALANCE SHEET:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>ASSETS:</b>					
Cash	\$ 32,071	\$ 35,357	\$ 38,286	\$ 34,515	\$ 31,475
Interest-bearing deposits and short-term investments	33,887	30,947	29,051	2,964	1,566
Securities available for sale, net	69,085	106,884	117,853	157,396	251,927
Loans held for sale	620	143	298	605	1,882
Loans receivable, net	1,282,522	1,298,319	1,329,915	1,312,114	1,280,365
Federal Home Loan Bank stock	15,598	15,598	15,598	18,911	18,911
Premises and equipment	34,437	34,571	35,005	35,069	35,206
Intangible assets	31,268	31,750	32,227	32,727	33,387
Other assets	32,317	13,382	14,889	15,676	16,911
Total assets	\$1,531,805	\$1,566,951	\$1,613,122	\$1,609,977	\$1,671,630
<b>LIABILITIES AND EQUITY:</b>					
Deposits	\$1,105,237	\$1,105,846	\$1,129,585	\$1,106,249	\$1,137,664
Borrowings	100,862	134,300	138,148	165,082	175,349
Other liabilities	18,794	17,218	19,374	12,763	23,901
Total liabilities	1,224,893	1,257,364	1,287,107	1,284,094	1,336,914
Stockholders' equity	306,912	309,587	326,015	325,883	334,716
Total liabilities and stockholders' equity	\$1,531,805	\$1,566,951	\$1,613,122	\$1,609,977	\$1,671,630

**CAPITAL RATIOS:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>BankFinancial Corporation:</b>					
Equity to total assets (end of period)	20.04%	19.76%	20.21%	20.24%	20.02%
Tangible equity to tangible total assets (end of period)	18.37	18.10	18.58	18.59	18.39
<b>BankFinancial FSB:</b>					
Risk-based total capital ratio	20.26	20.64	20.09	19.91	19.70
Risk-based tier 1 capital ratio	19.43	19.74	19.26	19.05	18.88
Tier 1 leverage ratio	15.94	15.51	15.05	14.95	14.33
Stock repurchases – \$ (000's)	\$ 3,780	\$ 19,261	\$ 3,960	\$ 13,330	—
Stock repurchases – shares	232,643	1,131,974	226,600	750,700	—

**COMMON STOCK AND DIVIDENDS:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>Stock Prices:</b>					
Close	\$ 15.45	\$ 16.27	\$ 17.81	\$ 17.49	\$ 17.30
High	16.75	17.98	18.50	18.11	17.30
Low	15.45	16.10	17.23	16.31	15.15
Cash dividends paid	\$ 0.07	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.06

**DEPOSITS:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
Non-interest-bearing demand	\$ 126,304	\$ 122,422	\$ 134,097	\$ 130,491	\$ 136,046
Interest-bearing NOW	282,300	277,683	274,391	251,938	244,173
Money market	262,265	258,400	260,796	250,767	249,133
Savings	107,030	114,793	114,851	118,898	129,482
Certificates of deposit—Retail	317,946	321,444	323,957	330,794	333,389
Certificates of deposit—Wholesale	9,392	11,104	21,493	23,361	45,441
Total certificates of deposit	327,338	332,548	345,450	354,155	378,830
Total deposits	\$1,105,237	\$1,105,846	\$1,129,585	\$1,106,249	\$1,137,664

**BANKFINANCIAL CORPORATION**  
**SELECTED QUARTERLY FINANCIAL AND STATISTICAL DATA**

**Latest Five Quarters**

(Dollars in thousands; except per share) – (Unaudited)

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>LOANS:</b>					
One- to four-family residential real estate	\$ 381,447	\$ 391,759	\$ 397,545	\$ 409,288	\$ 402,097
Multi-family mortgage loans	291,963	299,566	297,131	292,100	291,005
Nonresidential real estate	321,943	314,275	320,729	307,619	303,901
Construction and land loans	68,024	68,742	85,222	83,526	78,900
Commercial loans	84,410	90,103	89,346	84,947	76,070
Commercial leases	134,217	134,327	139,164	135,019	127,971
Consumer loans	4,574	3,361	3,869	3,989	4,019
Other loans (including municipal)	4,544	4,752	4,959	4,959	4,959
Total loans	1,291,122	1,306,885	1,337,965	1,321,447	1,288,922
Loans in process	(87)	154	148	113	934
Net deferred loan origination costs	2,266	2,402	2,424	2,478	2,478
Allowance for loan losses	(10,779)	(11,122)	(10,622)	(11,924)	(11,969)
Loans, net	<u>\$1,282,522</u>	<u>\$1,298,319</u>	<u>\$1,329,915</u>	<u>\$1,312,114</u>	<u>\$1,280,365</u>

**CREDIT QUALITY RATIOS:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>Nonperforming Loans and Assets:</b>					
Nonperforming loans	\$ 9,720	\$ 8,759	\$ 9,226	\$ 8,469	\$ 6,440
Real estate owned	—	—	—	—	30
Nonperforming assets	<u>\$ 9,720</u>	<u>\$ 8,759</u>	<u>\$ 9,226</u>	<u>\$ 8,469</u>	<u>\$ 6,470</u>
<b>Asset Quality Ratios:</b>					
Nonperforming assets to total assets	0.63%	0.56%	0.57%	0.53%	0.39%
Nonperforming loans to total loans	0.75	0.67	0.69	0.64	0.50
Allowance for loan losses to nonperforming loans	110.90	126.98	115.13	140.80	185.85
Allowance for loan losses to total loans	0.84	0.85	0.79	0.90	0.93
Net charge-off ratio (1)	0.00	0.02	0.23	0.03	0.03

**ALLOWANCE FOR LOAN LOSSES:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
Beginning balance	\$ 11,122	\$ 10,622	\$ 11,924	\$ 11,969	\$ 11,708
Allowance of acquired bank	—	—	—	—	212
Provision (credit) for loan losses	(354)	581	(537)	49	156
Loans charged off	(3)	(97)	(767)	(96)	(107)
Recoveries	14	16	2	2	—
Ending balance	<u>\$ 10,779</u>	<u>\$ 11,122</u>	<u>\$ 10,622</u>	<u>\$ 11,924</u>	<u>\$ 11,969</u>

(1) Annualized



**BANKFINANCIAL CORPORATION**  
**SELECTED QUARTERLY FINANCIAL AND STATISTICAL DATA**  
**Latest Five Quarters**

(Dollars in thousands; except per share) – (Unaudited)

**SELECTED AVERAGE BALANCES:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
Average total assets	\$ 1,543,985	\$ 1,584,765	\$ 1,611,689	\$ 1,644,304	\$ 1,689,670
Average earning assets	1,432,238	1,481,465	1,486,033	1,544,356	1,588,209
Average total loans	1,297,583	1,323,345	1,328,482	1,320,016	1,288,053
Average investment securities	98,791	112,206	110,033	193,081	268,584
Average FHLB stock	15,598	15,598	18,299	18,911	24,717
Average other earning assets	20,266	30,316	29,219	12,348	6,855
Average interest-bearing deposits	978,601	981,956	980,771	982,859	1,006,806
Average total borrowings	112,209	137,715	149,001	170,804	190,935
Average interest-bearing liabilities	1,090,810	1,119,671	1,129,772	1,153,663	1,197,741
Average total stockholders' equity	310,219	325,806	326,010	335,015	339,122

**SELECTED YIELDS AND COST OF FUNDS (1):**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
Average earning assets	6.47%	6.51%	6.37%	6.23%	5.98%
Average total loans	6.60	6.66	6.52	6.50	6.38
Average investment securities	5.66	5.51	5.43	4.62	4.38
Average FHLB stock	2.75	3.72	3.21	3.99	3.15
Average other earning assets	5.30	5.15	5.28	5.75	5.03
Average interest-bearing deposits	3.48	3.42	3.33	3.22	2.97
Average total borrowings	4.51	4.38	4.29	4.19	4.01
Average interest-bearing liabilities	3.59	3.54	3.46	3.37	3.14
Interest rate spread	2.88	2.98	2.91	2.86	2.84
Net interest margin	3.74	3.84	3.74	3.71	3.62

**EARNINGS PER SHARE COMPUTATIONS:**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
Net income	\$ 2,338	\$ 1,651	\$ 1,207	\$ 2,795	\$ 2,904
Average common shares outstanding	23,124,955	23,924,011	24,384,369	24,556,236	24,466,250
Less: Unearned ESOP shares	(1,777,881)	(1,802,198)	(1,826,679)	(1,851,346)	(1,871,668)
Less: Unvested restricted stock	(618,600)	(637,882)	(730,208)	(210,082)	—
Weighted average common shares outstanding	20,728,474	21,483,931	21,827,482	22,494,808	22,594,582
Plus: Dilutive common shares equivalents	26,049	53,611	12,994	12,294	—
Weighted average dilutive shares outstanding	20,754,523	21,537,542	21,840,476	22,507,102	22,594,582
Number of antidilutive stock options excluded from the diluted earnings per share calculation	1,557,500	1,301,000	1,301,000	1,140,000	N.A.
Weighted average exercise price of anti-dilutive option shares	\$ 17.36	\$ 17.63	\$ 17.63	\$ 17.62	N.A.
Earnings per basic share	\$ 0.11	\$ 0.08	\$ 0.06	\$ 0.12	\$ 0.13
Earnings per diluted share	\$ 0.11	\$ 0.08	\$ 0.06	\$ 0.12	\$ 0.13

N.A. = Not Applicable

(1) Annualized

**BANKFINANCIAL CORPORATION**  
**NON-GAAP FINANCIAL MEASURES**

The Company utilizes a number of different financial measures, both GAAP and non-GAAP, in making operating, budgeting and planning decisions for future periods. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States of America, or GAAP. The Company believes that the use of the non-GAAP financial measures described below provides the Board of Directors and management, and may provide some investors, with a more complete understanding the Company's operating results and trends, and facilitate comparisons to historical and peer performance. The Company's non-GAAP financial measures should be considered supplemental in nature and should not be considered in isolation, or as superior to or a substitute for, financial measures that are prepared in accordance with GAAP. In addition, the Company's non-GAAP financial measures may differ from similar non-GAAP financial measures that are used by other companies, thus limiting their usefulness as a comparative tool.

**Amortization of Intangibles Expense.** The Company believes that the exclusion from its net income of expense for the amortization of the core deposit intangible assets resulting from its acquisition of Success Bancshares and University National Bank facilitates the comparison of the Company's operating results to the Company's historical performance and to the performance of other financial institutions with different acquisition histories. In addition, the level of amortization of core deposit intangible assets arising from an acquisition can vary significantly depending on the valuation methodology used and the interest rate environment that existed at the time of the acquisition.

**Equity-based Compensation.** The Company believes that the exclusion of equity-based compensation expense from its net income facilitates the comparison of the Company's operating results to the Company's historical performance, including the prior periods in which it operated as a mutual institution and had no stock outstanding. In addition, the Company believes that this non-GAAP measure facilitates the comparison of the Company's performance to the performance of other financial institutions that have different or more seasoned equity-based compensation plans, including plans pursuant to which stock option awards vested prior to the effective date of SFAS No. 123R.

**Core Return on Assets.** The Company believes that adjusting the calculation of its return on assets to exclude the equity-based compensation expense and the amortization of intangibles expense described above furthers the purposes described above. Thus, the Company calculates core return on assets by dividing net income for a period, adjusted to exclude these expenses, by its average assets for the period.

**Core Return on Equity.** The Company believes that adjusting the calculation of its return on equity to exclude the equity-based compensation expense and the amortization of intangibles expenses described above furthers the purposes described above. Thus, the Company calculates core return on equity by dividing average stockholders' equity for a period by net income, adjusted to exclude these expenses, for the period.

**Core Dilutive Earnings per Share.** The Company believes that adjusting the calculation of its dilutive earnings per share to exclude the equity-based compensation expense and the amortization of intangibles expenses described above furthers the purposes described above. Thus, the Company calculates core dilutive earnings per share by net income, adjusted to exclude these expenses, for the period by the weighted average dilutive common shares outstanding, for the period.

**Core Noninterest Expense to Average Total Assets.** The Company believes that adjusting the calculation of its noninterest expense to average total assets to exclude the equity-based compensation expense and the amortization of intangibles expenses described above furthers the purposes described above. Thus, the Company calculates noninterest expense to average total assets by dividing noninterest expense, adjusted to exclude these expenses, by average total assets for the period.

**Core Efficiency Ratio.** The Company believes that adjusting the calculation of its efficiency ratio to exclude the equity-based compensation expense and the amortization of intangibles expense described above furthers the purposes described above. Thus, the Company calculates core efficiency ratio by dividing noninterest expense, adjusted to exclude these expenses, by the sum of net interest income and noninterest income.

There are inherent limitations associated with the use of each of the above non-GAAP financial measures as an analytical tool. In particular, these non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles and reflect the exclusion of items that are recurring and will be reflected in the Company's financial results in the future. The Company has further highlighted these and the other limitations described above by providing a reconciliation of the GAAP amounts that have been excluded from these non-GAAP financial measures.

**BANKFINANCIAL CORPORATION**  
**NON-GAAP FINANCIAL MEASURES**  
(Dollars in thousands; except per share) – (Unaudited)

**FOR THE QUARTERS AND SIX MONTH PERIOD ENDED**

**June 30, 2007 AND 2006**

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
<b>Core Operating Income:</b>				
Net Income	\$ 2,338	\$ 2,904	\$ 3,989	\$ 6,044
<b>Adjustments:</b>				
Equity-based compensation and benefits	1,294	456	2,555	841
Amortization of core deposit intangible	469	495	946	888
Tax effect on adjustments assuming 39.745% tax rate	(701)	(378)	(1,391)	(687)
<b>Core Operating Income</b>	<b>\$ 3,400</b>	<b>\$ 3,477</b>	<b>\$ 6,099</b>	<b>\$ 7,086</b>
Return on assets (ratio of net income to average total assets) (1)	0.61%	0.69%	0.51%	0.73%
Core return on assets (ratio of core operating income to average total assets) (1)	0.88%	0.82%	0.78%	0.86%
Return on equity (ratio of net income to average equity) (1)	3.01%	3.43%	2.51%	3.63%
Core return on equity (ratio of core operating income to average equity) (1)	4.38%	4.10%	3.84%	4.26%
Dilutive earnings per common share	\$ 0.11	\$ 0.13	\$ 0.19	\$ 0.27
Core dilutive earnings per common share	\$ 0.16	\$ 0.15	\$ 0.29	\$ 0.31
<b>Core Noninterest Expenses:</b>				
Noninterest Expenses	\$12,666	\$12,457	\$25,788	\$24,085
<b>Adjustments:</b>				
Equity-based compensation and benefits	(1,294)	(456)	(2,555)	(841)
Amortization of core deposit intangible	(469)	(495)	(946)	(888)
<b>Core Noninterest Expenses</b>	<b>\$10,903</b>	<b>\$11,506</b>	<b>\$22,287</b>	<b>\$22,356</b>
Noninterest expense to average total assets (1)	3.28%	2.95%	3.30%	2.91%
Core noninterest expense to average total assets (1)	2.82%	2.72%	2.85%	2.70%
Efficiency ratio (ratio of noninterest expense to net interest income plus noninterest income)	80.79%	73.68%	81.23%	72.00%
Core efficiency ratio (ratio of core noninterest expense to net interest income plus noninterest income)	69.54%	68.05%	70.20%	66.83%

(1) Annualized

**FOR THE LATEST FIVE QUARTERS**

	2007		2006		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>Core Operating Income:</b>					
Net Income	\$ 2,338	\$ 1,651	\$ 1,207	\$ 2,795	\$ 2,904
<b>Adjustments:</b>					
Equity-based compensation and benefits	1,294	1,261	3,542	996	456
Amortization of core deposit intangible	469	476	489	496	495
Tax effect on adjustments assuming 39.745% tax rate	(701)	(690)	(1,602)	(593)	(378)
<b>Core Operating Income</b>	<b>\$ 3,400</b>	<b>\$ 2,698</b>	<b>\$ 3,636</b>	<b>\$ 3,694</b>	<b>\$ 3,477</b>
Return on assets (ratio of net income to average total assets) (1)	0.61%	0.42%	0.30%	0.68%	0.69%
Core return on assets (ratio of core operating income to average total assets) (1)	0.88%	0.68%	0.90%	0.90%	0.82%
Return on equity (ratio of net income to average equity) (1)	3.01%	2.03%	1.48%	3.34%	3.43%
Core return on equity (ratio of core operating income to average equity) (1)	4.38%	3.31%	4.46%	4.41%	4.10%
Dilutive earnings per common share	\$ 0.11	\$ 0.08	\$ 0.06	\$ 0.12	\$ 0.13
Core dilutive earnings per common share	\$ 0.16	\$ 0.13	\$ 0.17	\$ 0.16	\$ 0.15
<b>Core Operating Expenses:</b>					
Noninterest Expenses	\$12,666	\$13,122	\$15,390	\$12,895	\$12,457
<b>Adjustments:</b>					
Equity-based compensation and benefits	(1,294)	(1,261)	(3,542)	(996)	(456)
Amortization of core deposit intangible	(469)	(476)	(489)	(496)	(495)
<b>Core Noninterest Expenses</b>	<b>\$10,903</b>	<b>\$11,385</b>	<b>\$11,359</b>	<b>\$11,403</b>	<b>\$11,506</b>
Noninterest expense to average total assets (1)	3.28%	3.31%	3.82%	3.14%	2.95%
Core noninterest expense to average total assets (1)	2.82%	2.87%	2.82%	2.77%	2.72%
Efficiency ratio (ratio of noninterest expense to net interest income plus noninterest income)	80.79%	81.66%	93.01%	75.37%	73.68%
Core efficiency ratio (ratio of core noninterest expense to net interest income plus noninterest income)	69.54%	70.85%	68.65%	66.65%	68.05%

(1) Annualized