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**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): July 28, 2008**

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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 July 28, 2008, 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, 2008 and a Quarterly Financial and Statistical Supplement. The press release also reported earnings for the three and six months ended June 30, 2008. 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 July 28, 2008
99.2	Quarterly Financial and Statistical Supplement

**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: July 28, 2008

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  
2008 Financial Results and Filing of Quarterly  
Report on Form 10-Q and Quarterly Financial and Statistical  
Supplement with the Securities and Exchange Commission**

**Burr Ridge, Illinois**—(July 28, 2008) BankFinancial Corporation (Nasdaq – BFIN) (“BankFinancial”) reported a net loss of \$5.4 million for the second quarter of 2008, or \$0.27 per share, which included a \$6.7 million, or \$0.34 per share, after-tax impairment charge on the preferred stocks of Freddie Mac, a government sponsored entity, that BankFinancial holds in its investment portfolio. BankFinancial’s net loss for the six months ended June 30, 2008, was \$2.2 million, or \$0.11 per share, compared to net income of \$4.0 million, or \$0.19 per share, for the six months ended June 30, 2007. The net loss for the six months ended June 30, 2008 included the above impairment charge.

BankFinancial determined that the Freddie Mac preferred stocks were other-than-temporarily impaired at June 30, 2008 in accordance with the guidance set forth in Securities and Exchange Commission Codification of Staff Accounting Bulletins, Topic 5: *Miscellaneous Accounting – Item M, Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities*, due to the extent and continuous duration of the unrealized losses that existed with respect to these securities, the inability to forecast a full recovery of their adjusted carrying cost in future periods in the number of interest rate scenarios required by BankFinancial’s valuation methodology, and issuer-specific factors concerning Freddie Mac.

At June 30, 2008, BankFinancial had total assets of \$1.46 billion, total loans of \$1.23 billion, total deposits of \$1.08 billion and stockholders’ equity of \$288 million. Its wholly-owned subsidiary, BankFinancial, F.S.B., is considered well capitalized under applicable banking laws and regulations, with a total capital to risk weighted assets ratio was 16.59%, a Tier 1 capital to risk weighted assets ratio of 15.79%, and a Tier 1 capital to adjusted total assets ratio of 14.13% at June 30, 2008. The minimum capital requirements that must be met to be considered well capitalized are a total capital to risk weighted assets ratio of at least 10%, a Tier 1 capital to risk weighted assets ratio of at least 6%, and a Tier 1 capital to adjusted total assets ratio of at least 5%.

During the six months ended June 30, 2008, BankFinancial repurchased 330,800 shares of its common stock at an aggregate cost of approximately \$5.1 million. The current share repurchase authorization is scheduled to expire on November 15, 2008.

BankFinancial will file its Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and a Quarterly Financial and Statistical Supplement on Form 8-K with the SEC today. Both reports will be available on BankFinancial’s website, [www.bankfinancial.com](http://www.bankfinancial.com) on the “Stockholder Information” page, and through the EDGAR database on the SEC’s website, [www.sec.gov](http://www.sec.gov). The Quarterly Financial and Statistical Supplement includes comparative GAAP and non-GAAP performance data and financial measures for the most recent five quarters.

BankFinancial’s management will review second quarter 2008 results in a conference call and webcast for stockholders and analysts on Wednesday, July 30, 2008 at 9:30 a.m. Central Daylight Time (CDT). The conference call may be accessed by calling (800) 901-5218 and using participant passcode 56138932. 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. CDT on August 13, 2008 on our website.

BankFinancial Corporation is the holding company for BankFinancial, F.S.B., a full-service, community-oriented 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 Global Select Market under the symbol BFIN. Additional information may be found at the company's website.

"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 website at <http://www.sec.gov> or on BankFinancial's website at <http://www.bankfinancial.com>.

**For Further Information Contact:**

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**BANKFINANCIAL CORPORATION**  
**SECOND QUARTER 2008**  
**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:**

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
Return on assets (ratio of net income (loss) to average total assets) (1)	(1.49)%	0.87%	0.25%	0.59%	0.61%
Return on equity (ratio of net income (loss) to average equity (1))	(7.46)	4.37	1.23	2.90	3.01
Net interest rate spread (1)	3.31	3.29	3.02	2.91	2.88
Net interest margin (1)	3.88	3.93	3.80	3.76	3.74
Efficiency ratio	160.33	73.57	92.05	77.38	80.79
Noninterest expense to average total assets (1)	6.39	3.60	3.86	3.26	3.28
Average interest-earning assets to average interest-bearing liabilities	129.40	128.96	130.01	130.11	131.30
Offices	18	18	18	18	18
Employees (full time equivalents)	397	404	425	416	418

**SUMMARY INCOME STATEMENT:**

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
Total interest income	\$19,387	\$20,742	\$21,925	\$23,124	\$23,111
Total interest expense	6,405	7,469	8,880	9,899	9,760
Net interest income before provision	12,982	13,273	13,045	13,225	13,351
Provision (credit) for loan losses	250	(51)	10	460	(354)
Net interest income	12,732	13,324	13,035	12,765	13,705
Noninterest income	1,521	4,706	2,502	2,777	2,327
Noninterest expense	23,253	13,228	14,311	12,383	12,666
Income (loss) before income tax	(9,000)	4,802	1,226	3,159	3,366
Income tax expense (benefit)	(3,593)	1,610	297	922	1,028
Net income (loss)	<u>\$ (5,407)</u>	<u>\$ 3,192</u>	<u>\$ 929</u>	<u>\$ 2,237</u>	<u>\$ 2,338</u>
Basic earnings (loss) per common share	<u>\$ (0.27)</u>	<u>\$ 0.16</u>	<u>\$ 0.05</u>	<u>\$ 0.11</u>	<u>\$ 0.11</u>
Diluted earnings (loss) per common share	<u>\$ (0.27)</u>	<u>\$ 0.16</u>	<u>\$ 0.05</u>	<u>\$ 0.11</u>	<u>\$ 0.11</u>

**NONINTEREST INCOME AND EXPENSE:**

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>Noninterest Income:</b>					
Deposit service charges and fees	\$ 837	\$ 825	\$ 915	\$ 938	\$ 918
Other fee income	587	475	484	495	499
Insurance commissions and annuities income	202	246	287	251	225
Gain on sales of loans, net	17	70	34	43	1
Gain on sales of investment securities	—	1,385	—	399	—
Gain on unredeemed VISA Stock	—	1,240	—	—	—
Gain (loss) on disposition of premises and equipment	(311)	9	(4)	—	7
Loan servicing fee income	184	213	204	182	214
Amortization and impairment of servicing assets	(178)	(311)	(64)	(131)	(106)
REO operations	(163)	(11)	(13)	(4)	—
Earnings on bank-owned life insurance	187	217	231	219	135
Other	159	348	428	385	434
Total noninterest income	<u>\$ 1,521</u>	<u>\$ 4,706</u>	<u>\$ 2,502</u>	<u>\$ 2,777</u>	<u>\$ 2,327</u>
<b>Noninterest Expense:</b>					
Compensation and benefits	\$ 7,506	\$ 8,220	\$ 8,020	\$ 7,773	\$ 7,860
Office occupancy and equipment	1,582	1,947	1,615	1,428	1,399
Advertising	309	164	320	409	455
Data processing	790	904	848	821	823
Supplies, telephone and postage	497	522	572	485	484
Amortization of intangibles	446	452	464	469	469
Visa settlement	—	—	1,240	—	—
Loss on impairment of securities available for sale	11,075	—	—	—	—
Other	1,048	1,019	1,232	998	1,176
Total noninterest expenses	<u>\$23,253</u>	<u>\$13,228</u>	<u>\$14,311</u>	<u>\$12,383</u>	<u>\$12,666</u>

(1) Annualized

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

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

**SUMMARY BALANCE SHEET:**

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>ASSETS:</b>					
Cash	\$ 27,915	\$ 25,530	\$ 28,279	\$ 30,694	\$ 32,071
Interest-bearing deposits and short-term investments	6,297	3,611	669	14,003	33,887
Securities available for sale, net	78,030	73,545	77,049	67,686	69,085
Loans held for sale	702	1,786	173	2,031	620
Loans receivable, net	1,225,115	1,246,983	1,253,999	1,276,303	1,282,645
Federal Home Loan Bank stock	15,598	15,598	15,598	15,598	15,598
Premises and equipment	34,013	34,014	34,487	34,171	34,437
Intangible assets	29,437	29,883	30,335	30,799	31,268
Investment in bank-owned life insurance	19,989	19,802	19,585	19,354	19,135
Other assets	19,716	24,316	20,370	14,157	13,182
<b>Total assets</b>	<b>\$1,456,812</b>	<b>\$1,475,068</b>	<b>\$1,480,544</b>	<b>\$1,504,796</b>	<b>\$1,531,928</b>

**LIABILITIES AND EQUITY:**

Deposits	\$1,080,986	\$1,057,613	\$1,073,650	\$1,098,541	\$1,105,237
Borrowings	70,633	112,020	96,433	81,138	100,862
Other liabilities	17,030	15,850	19,324	21,496	18,917
<b>Total liabilities</b>	<b>1,168,649</b>	<b>1,185,483</b>	<b>1,189,407</b>	<b>1,201,175</b>	<b>1,225,016</b>
Stockholders' equity	288,163	289,585	291,137	303,621	306,912
<b>Total liabilities and stockholders' equity</b>	<b>\$1,456,812</b>	<b>\$1,475,068</b>	<b>\$1,480,544</b>	<b>\$1,504,796</b>	<b>\$1,531,928</b>

**CAPITAL RATIOS:**

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>BankFinancial Corporation:</b>					
Equity to total assets (end of period)	19.78%	19.63%	19.66%	20.18%	20.03%
Tangible equity to tangible total assets (end of period)	17.99	18.11	17.95	18.51	18.37
<b>BankFinancial FSB:</b>					
Risk-based total capital ratio	16.59	16.55	16.54	19.07	20.26
Risk-based tier 1 capital ratio	15.79	15.77	15.74	18.22	19.43
Tier 1 leverage ratio	14.13	14.20	13.95	15.16	15.94
Stock repurchases – \$ (000's)	\$ 1,161	\$ 3,899	\$ 5,273	\$ 5,643	\$ 3,780
Stock repurchases – shares	76,000	254,800	335,900	377,406	232,643

**COMMON STOCK AND DIVIDENDS:**

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>Stock Prices:</b>					
Close	\$ 13.01	\$ 15.91	\$ 15.82	\$ 15.82	\$ 15.45
High	16.16	16.44	16.67	16.39	16.75
Low	13.00	13.66	14.54	13.01	15.45
Cash dividends paid	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07

**DEPOSITS:**

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
Non-interest-bearing demand	\$ 108,530	\$ 112,557	\$ 111,554	\$ 111,772	\$ 126,304
Interest-bearing NOW	364,106	318,355	306,517	297,589	282,300
Money market	183,180	224,078	250,682	266,737	262,265
Savings	101,532	99,718	97,280	101,176	107,030
Certificates of deposit – Retail	316,761	301,990	305,610	314,450	317,946
Certificates of deposit – Wholesale	6,877	915	2,007	6,817	9,392
<b>Total certificates of deposit</b>	<b>323,638</b>	<b>302,905</b>	<b>307,617</b>	<b>321,267</b>	<b>327,338</b>
<b>Total deposits</b>	<b>\$1,080,986</b>	<b>\$1,057,613</b>	<b>\$1,073,650</b>	<b>\$1,098,541</b>	<b>\$1,105,237</b>



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

**Latest Five Quarters**

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

	2008		IVQ	2007	
	IIQ	IQ		IIIQ	IIQ
<b>LOANS:</b>					
One- to four-family residential real estate	\$ 329,575	\$ 340,439	\$ 345,245	\$ 373,830	\$ 381,447
Multi-family mortgage loans	306,209	301,957	291,395	288,883	291,963
Nonresidential real estate	323,555	327,542	325,885	326,368	321,943
Construction and land loans	52,785	60,020	64,483	61,482	68,024
Commercial loans	68,168	76,164	83,233	80,358	84,410
Commercial leases	146,714	142,069	144,841	145,761	134,217
Consumer loans	2,809	3,408	3,506	4,009	4,697
Other loans (including municipal)	4,334	4,334	4,544	4,544	4,544
Total loans	<u>1,234,149</u>	<u>1,255,933</u>	<u>1,263,132</u>	<u>1,285,235</u>	<u>1,291,245</u>
Loans in process	(165)	(161)	(168)	(63)	(87)
Net deferred loan origination costs	2,031	2,041	2,086	2,211	2,266
Allowance for loan losses	<u>(10,900)</u>	<u>(10,830)</u>	<u>(11,051)</u>	<u>(11,080)</u>	<u>(10,779)</u>
Loans, net	<u>\$ 1,225,115</u>	<u>\$ 1,246,983</u>	<u>\$ 1,253,999</u>	<u>\$ 1,276,303</u>	<u>\$ 1,282,645</u>

**CREDIT QUALITY RATIOS:**

**Nonperforming Loans and Assets:**

	2008		IVQ	2007	
	IIQ	IQ		IIIQ	IIQ
Nonperforming loans	\$ 11,248	\$ 8,737	\$ 12,058	\$ 9,557	\$ 9,720
Real estate owned	937	899	820	252	—
Nonperforming assets	<u>\$ 12,185</u>	<u>\$ 9,636</u>	<u>\$ 12,878</u>	<u>\$ 9,809</u>	<u>\$ 9,720</u>

**Asset Quality Ratios:**

Nonperforming assets to total assets	0.84%	0.65%	0.87%	0.65%	0.63%
Nonperforming loans to total loans	0.91	0.70	0.95	0.74	0.75
Allowance for loan losses to nonperforming loans	96.91	123.96	91.65	115.94	110.90
Allowance for loan losses to total loans	0.89	0.86	0.87	0.86	0.83
Net charge-off ratio (1)	0.06	0.05	0.01	0.05	0.00

**ALLOWANCE FOR LOAN LOSSES:**

	2008		IVQ	2007	
	IIQ	IQ		IIIQ	IIQ
Beginning balance	\$ 10,830	\$ 11,051	\$ 11,080	\$ 10,779	\$ 11,122
Provision (credit) for loan losses	250	(51)	10	460	(354)
Loans charged off	(182)	(173)	(46)	(159)	(3)
Recoveries	2	3	7	—	14
Ending balance	<u>\$ 10,900</u>	<u>\$ 10,830</u>	<u>\$ 11,051</u>	<u>\$ 11,080</u>	<u>\$ 10,779</u>

(1) Annualized

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

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

**SELECTED AVERAGE BALANCES:**

	2008		IVQ	2007	
	IIQ	IQ		IIIQ	IIQ
Average total assets	\$ 1,454,496	\$ 1,471,387	\$ 1,484,541	\$ 1,518,670	\$ 1,543,985
Average earning assets	1,346,496	1,358,390	1,362,890	1,397,286	1,432,238
Average total loans	1,233,586	1,257,089	1,277,238	1,291,593	1,297,583
Average investment securities	86,855	83,536	64,097	73,370	98,791
Average FHLB stock	15,598	15,598	15,598	15,598	15,598
Average other earning assets	10,457	2,167	5,957	16,725	20,266
Average interest-bearing deposits	958,071	943,549	966,082	986,113	978,601
Average total borrowings	82,502	109,791	82,220	87,782	112,209
Average interest-bearing liabilities	1,040,573	1,053,340	1,048,302	1,073,895	1,090,810
Average total stockholders' equity	289,988	292,353	301,911	308,041	310,219

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

	2008		IVQ	2007	
	IIQ	IQ		IIIQ	IIQ
Average earning assets	5.79%	6.14%	6.38%	6.57%	6.47%
Average total loans	5.98	6.26	6.46	6.67	6.60
Average investment securities	4.64	5.52	6.47	5.90	5.66
Average FHLB stock	—	—	—	2.77	2.75
Average other earning assets	2.01	3.34	4.66	5.08	5.30
Average interest-bearing deposits	2.36	2.69	3.22	3.55	3.48
Average total borrowings	3.86	4.25	5.04	4.81	4.51
Average interest-bearing liabilities	2.48	2.85	3.36	3.66	3.59
Interest rate spread	3.31	3.29	3.02	2.91	2.88
Net interest margin	3.88	3.93	3.80	3.76	3.74

**EARNINGS PER SHARE COMPUTATIONS:**

	2008		IVQ	2007	
	IIQ	IQ		IIIQ	IIQ
Net income (loss)	\$ (5,407)	\$ 3,192	\$ 929	\$ 2,237	\$ 2,338
Average common shares outstanding	21,952,967	22,101,410	22,429,477	22,692,613	23,124,955
Less: Unearned ESOP shares	(1,679,927)	(1,704,262)	(1,728,813)	(1,753,480)	(1,777,881)
Less: Unvested restricted stock	(434,550)	(434,801)	(575,800)	(619,385)	(618,600)
Weighted average common shares outstanding	19,838,490	19,962,347	20,124,864	20,319,748	20,728,474
Plus: Dilutive common shares equivalents	61,010	5,657	—	97,765	26,049
Weighted average dilutive shares outstanding	19,899,500	19,968,004	20,124,864	20,417,513	20,754,523
Number of antidilutive stock options excluded from the diluted earnings per share calculation	2,336,803	2,336,803	1,597,400	1,576,200	1,557,500
Weighted average exercise price of anti-dilutive option shares	\$ 16.51	\$ 16.51	\$ 17.40	\$ 17.34	\$ 17.36
Earnings (loss) per basic share	\$ (0.27)	\$ 0.16	\$ 0.05	\$ 0.11	\$ 0.11
Earnings (loss) per diluted share	\$ (0.27)	\$ 0.16	\$ 0.05	\$ 0.11	\$ 0.11

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 of 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.

**Equity-based Compensation.** The Company believes that the exclusion of equity-based compensation expense from its net income (loss) 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.

**Amortization of Intangibles Expense.** The Company believes that the exclusion from its net income (loss) 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.

**Gain on sale of Visa stock and Gain on unredeemed Visa stock.** The Company believes that the exclusion of these gains, related to the completion of Visa's IPO in March of 2008, from its net income (loss) facilitates the comparison of the Company's operating results to the Company's historical performance.

**Visa Settlement.** The Company believes that the exclusion of this one-time litigation expense due to our proportionate share of Visa litigation charges from its net income (loss) facilitates the comparison of the Company's operating results to the Company's historical performance.

**Loss on Impairment of Securities.** The Company believes that the exclusion from its net income (loss) of the impairment loss on our Freddie Mac preferred stocks, based on our determination that the unrealized loss that existed with respect to these securities constituted an other-than-temporary impairment, facilitates the comparison of the Company's operating results to the Company's historical performance.

**Core Return on Assets.** The Company believes that adjusting the calculation of its return on assets to exclude the equity-based compensation expense, the amortization of intangibles expenses, the Visa gains and settlement expense, and the loss on impairment furthers the purposes described above. Thus, the Company calculates core return on assets by dividing net income (loss) for a period, adjusted to exclude these items, 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, the amortization of intangibles expenses, the Visa gains and settlement expense, and the loss on impairment furthers the purposes described above. Thus, the Company calculates core return on equity by dividing average stockholders' equity for a period by net income (loss), adjusted to exclude these items, 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, the amortization of intangibles expenses, the Visa gains and settlement expense, and the loss on impairment furthers the purposes described above. Thus, the Company calculates core dilutive earnings per share by net income (loss), adjusted to exclude these items, 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, the amortization of intangibles expenses, the Visa settlement expense, and the loss on impairment 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, the amortization of intangibles expenses, the Visa gains and settlement expense, and the loss on impairment 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, adjusted to exclude these gains.

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 PERIODS ENDED JUNE 30, 2008 AND 2007	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
<b>Core Operating Income:</b>				
Net income (loss)	\$ (5,407)	\$ 2,338	\$ (2,215)	\$ 3,989
<b>Adjustments:</b>				
Equity-based compensation and benefits	1,179	1,294	2,427	2,555
Amortization of core deposit intangible	446	469	898	946
Gain on sales of investment securities	—	—	(1,385)	—
Gain on unredeemed Visa stock	—	—	(1,240)	—
Loss on impairment of securities	11,075	—	11,075	—
Tax effect on adjustments assuming 39.745% tax rate	(5,047)	(701)	(4,680)	(1,391)
<b>Core Operating Income</b>	<b>\$ 2,246</b>	<b>\$ 3,400</b>	<b>\$ 4,880</b>	<b>\$ 6,099</b>
Return on assets (ratio of net income (loss) to average total assets) (1)	(1.49)%	0.61%	(0.30)%	0.51%
Core return on assets (ratio of core operating income to average total assets) (1)	0.62%	0.88%	0.67%	0.78%
Return on equity (ratio of net income (loss) to average equity) (1)	(7.46)%	3.01%	(1.52)%	2.51%
Core return on equity (ratio of core operating income to average equity) (1)	3.10%	4.38%	3.35%	3.84%
Diluted earnings (loss) per common share	\$ (0.27)	\$ 0.11	\$ (0.11)	\$ 0.19
Core dilutive earnings per common share	\$ 0.11	\$ 0.16	\$ 0.24	\$ 0.29
<b>Core Noninterest Expenses:</b>				
Noninterest Expenses	\$ 23,253	\$ 12,666	\$ 36,481	\$ 25,788
<b>Adjustments:</b>				
Equity-based compensation and benefits	(1,179)	(1,294)	(2,427)	(2,555)
Amortization of core deposit intangible	(446)	(469)	(898)	(946)
Loss on impairment of securities	(11,075)	—	(11,075)	—
<b>Core Noninterest Expenses</b>	<b>\$ 10,553</b>	<b>\$ 10,903</b>	<b>\$ 22,081</b>	<b>\$ 22,287</b>
Noninterest expense to average total assets (1)	6.39%	3.28%	4.99%	3.30%
Core noninterest expense to average total assets (1)	2.90%	2.82%	3.02%	2.85%
Efficiency ratio (ratio of noninterest expense to net interest income plus noninterest income)	160.33%	80.79%	112.31%	81.23%
Core efficiency ratio (ratio of core noninterest expense to net interest income plus core noninterest income)	72.77%	69.54%	73.95%	70.20%

(1) Annualized for the three-month periods.

## FOR THE LATEST FIVE QUARTERS

	2008		2007		
	IIQ	IQ	IVQ	IIIQ	IIQ
<b>Core Operating Income:</b>					
Net Income (Loss)	\$ (5,407)	\$ 3,192	\$ 929	\$ 2,237	\$ 2,338
<b>Adjustments:</b>					
Equity-based compensation and benefits	1,179	1,249	1,219	1,311	1,294
Amortization of core deposit intangible	446	452	464	469	469
Gain on sales of investment securities	—	(1,385)	—	—	—
Gain on unredeemed Visa stock	—	(1,240)	1,240	—	—
Loss on impairment of securities	11,075	—	—	—	—
Tax effect on adjustments assuming 39.745% tax rate	(5,047)	367	(1,162)	(707)	(701)
<b>Core Operating Income</b>	<b>\$ 2,246</b>	<b>\$ 2,635</b>	<b>\$ 2,690</b>	<b>\$ 3,310</b>	<b>\$ 3,400</b>
Return on assets (ratio of net income (loss) to average total assets) (1)	(1.49)%	0.87%	0.25%	0.59%	0.61%
Core return on assets (ratio of core operating income to average total assets) (1)	0.62%	0.72%	0.72%	0.87%	0.88%
Return on equity (ratio of net income (loss) to average equity) (1)	(7.46)%	4.37%	1.23%	2.90%	3.01%
Core return on equity (ratio of core operating income to average equity) (1)	3.10%	3.61%	3.56%	4.30%	4.38%
Diluted earnings (loss) per common share	\$ (0.27)	\$ 0.16	\$ 0.05	\$ 0.11	\$ 0.11
Core dilutive earnings per common share	\$ 0.11	\$ 0.13	\$ 0.13	\$ 0.16	\$ 0.16
<b>Core Operating Expenses:</b>					
Noninterest Expenses	\$ 23,253	\$ 13,228	\$ 14,311	\$ 12,383	\$ 12,666
<b>Adjustments:</b>					
Equity-based compensation and benefits	(1,179)	(1,249)	(1,219)	(1,311)	(1,294)
Amortization of core deposit intangible	(446)	(452)	(464)	(469)	(469)
Visa settlement	—	—	(1,240)	—	—
Loss on impairment of securities	(11,075)	—	—	—	—
<b>Core Noninterest Expenses</b>	<b>\$ 10,553</b>	<b>\$ 11,527</b>	<b>\$ 11,388</b>	<b>\$ 10,603</b>	<b>\$ 10,903</b>
Noninterest expense to average total assets (1)	6.39%	3.60%	3.86%	3.26%	3.28%
Core noninterest expense to average total assets (1)	2.90%	3.13%	3.07%	2.79%	2.82%
Efficiency ratio (ratio of noninterest expense to net interest income plus noninterest income)	160.33%	73.57%	92.05%	77.38%	80.79%
Core efficiency ratio (ratio of core noninterest expense to net interest income plus core noninterest income)	72.77%	75.08%	73.25%	66.26%	69.54%

(1) Annualized for the three-month periods.