
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 20, 2008

BANKFINANCIAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

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)

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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Robert J. O'Shaughnessy, a "Named Executive Officer" (as defined by Item 402(a)(3) of Securities and Exchange Commission Regulation S-K) of BankFinancial Corporation (the "Company"), has announced his intention to retire as Executive Vice President and Chief Credit Officer of the Company and its principal subsidiary, BankFinancial, F.S.B. (the "Bank"), effective at 11:59 p.m. Chicago, Illinois Time on December 31, 2008 (the "Effective Time"). In connection with his retirement, Mr. O'Shaughnessy and the Bank entered into a Retirement Agreement dated October 20, 2008.

The Retirement Agreement provides that, at the Effective Time, Mr. O'Shaughnessy's amended and restated employment agreement with the Bank dated May 6, 2008 will terminate, and he will cease to be an officer and employee of the Company and the Bank. Mr. O'Shaughnessy will receive incentive compensation for 2008 in an amount to be determined by the Board of Directors based on the recommendations of its Human Resources Committee. Additionally, in recognition of Mr. O'Shaughnessy's contributions to the Bank's asset quality performance during his tenure as Chief Credit Officer, and as separate supplemental consideration for a general release of claims and waiver of rights, Mr. O'Shaughnessy will receive a special retirement bonus in the amount of \$120,000 provided that he remains employed with the Bank through December 31, 2008. Mr. O'Shaughnessy's participation in all compensation and other benefit plans will cease at the Effective Time except with respect to restricted shares and stock options that were previously awarded to him under the Company's 2006 Equity Incentive Plan (the "2006 EIP"). Certain of the restrictions set forth in Mr. O'Shaughnessy's amended and restated employment agreement with the Bank will remain in effect following its termination, including non-competition, non-solicitation, cooperation and confidentiality covenants. The non-competition covenant has been modified through the Retirement Agreement to extend the restricted period to twenty-four (24) months and to preclude Mr. O'Shaughnessy from performing loan review services for certain entities.

Mr. O'Shaughnessy has agreed to perform consulting services for the Company for a period of twelve (12) months after the Effective Time in accordance with the terms of a Consulting Agreement between him and the Company dated October 20, 2008. The Company, in its sole discretion, may offer to extend the term of the Consulting Agreement for an additional six (6) months. The consulting services that Mr. O'Shaughnessy is required to provide under the Consulting Agreement include assistance with loan reviews, residential and commercial lending operations, merchant processing, deposit servicing, pre-purchase due diligence and other matters assigned by the Company. The Consulting Agreement provides for a maximum of fifty (50) hours of consulting services per month during the first twelve (12) months. The Company will pay Mr. O'Shaughnessy a monthly consulting fee of \$9,750.00 during the first twelve months for these consulting services. If the Company offers to extend the term of the Consulting Agreement for an additional six (6) months, Mr. O'Shaughnessy will be compensated for his consulting services during the six (6) month period at the rate of \$195 per hour.

Mr. O'Shaughnessy's outstanding restricted stock and stock option awards under the Company's 2006 EIP were amended to provide that the awards will have the same vesting and expiration terms upon his attainment of age seventy (70) in April of 2009 that would have been applicable if Mr. O'Shaughnessy had retired from his employment with the Company and the Bank at age seventy (70).

Copies of the Company's Retirement Agreement and Consulting Agreement with Mr. O'Shaughnessy, the Amendment to the Company's Restricted Stock Award Agreement and the form of the Amendments to the Company's Non-Qualified Stock Option Award Terms are filed as Exhibits 10.1, 10.2, 10.3 and 10.4 hereto, respectively, and are incorporated by reference herein. The foregoing summary is qualified by the full text of the Retirement Agreement, Consulting Agreement, Restricted Stock Award Agreement and Non-Qualified Stock Option Award Terms.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit No.	Document
10.1	Retirement Agreement dated as of October 20, 2008, between BankFinancial Corporation and Robert J. O'Shaughnessy
10.2	Consulting Agreement dated as of October 20, 2008, between BankFinancial Corporation and Robert J. O'Shaughnessy
10.3	Amendment to BankFinancial Corporation 2006 Equity Incentive Plan Restricted Stock Award Agreement between BankFinancial Corporation and Robert J. O'Shaughnessy dated October 20, 2008
10.4	Form of Amendments to BankFinancial Corporation 2006 Equity Incentive Plan Non-Qualified Stock Option Award Terms between BankFinancial Corporation and Robert J. O'Shaughnessy dated October 20, 2008

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
(Registrant)

Dated: October 20, 2008

By: /s/ F. Morgan Gasior
F. Morgan Gasior
Chairman of the Board and Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
10.1	Retirement Agreement dated as of October 20, 2008, between BankFinancial Corporation and Robert J. O'Shaughnessy
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RETIREMENT AGREEMENT

THIS RETIREMENT AGREEMENT (this "**Agreement**") is made effective as of the 20th__ day of October, 2008 (the "**Agreement Date**"), by and between **BankFinancial Corporation** (the "**Corporation**"), **BankFinancial, F.S.B.** (the "**Bank**"), a federally chartered stock savings bank having its principal office at 21110 South Western Avenue, Olympia Fields, Illinois, and **Robert J. O'Shaughnessy** (the "**Executive**").

WHEREAS, Executive is an officer of the Corporation and is also an officer of its wholly-owned subsidiary, the Bank (collectively, the "Employer");

WHEREAS, Executive has advised Employer of his desire to retire from his employment and positions with them;

WHEREAS, Executive and Employer have developed a mutually acceptable method of accommodating Executive's request, as set forth more fully in this Agreement;

WHEREAS, the Bank and Executive have previously entered into that certain Amended and Restated Employment Agreement dated May 6, 2008 (the "**Employment Agreement**"), which is attached hereto as **Exhibit A**, but Executive does not have an employment agreement with the Corporation;

WHEREAS, the Employment Agreement provides for certain payments (the "**Severance Payments**") to be made to Executive in certain circumstances;

WHEREAS, the Severance Payments, or any payment or payments made in substitution thereof, may be subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"); and

WHEREAS, to the extent applicable or necessary, the parties wish to take advantage of Internal Revenue Service provided transition relief under Code Section 409A to change the time and form of the Severance Payments, and any payment or payments made in substitution thereof.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

Section 1. Termination of Employment and Employment Agreement. The Employment Agreement and Executive's employment with Employer shall terminate effective at 11:59 p.m. Chicago Time on December 31, 2008 (the "**Effective Time**").

Section 2. Incentive Bonus.

(a) As of the Effective Time, Executive shall become immediately and fully vested in his right to receive a 2008 annual incentive bonus in such amount as may be determined by the Corporation's Board of Directors, in its sole discretion, provided that the amount of the incentive bonus shall be consistent, on a relative basis, with the Board of

Director' determination of such bonuses for other executive officers of the Bank. The annual incentive bonus, if awarded, shall be paid at the same time and in the same manner as such bonuses for other executive officers of the Bank.

Section 3. Special Retirement Bonus and Release Payment.

(a) In recognition of Executive's contribution to the Bank's asset quality performance over an extended period of time during Executive's tenure as the Bank's Chief Credit Officer, and as separate supplemental consideration for the release of claims and waiver of rights provided for in of this Agreement, the Employer agrees to pay Executive a single lump sum in the amount of \$120,000.00 on the first scheduled payroll date of Employer following the Effective Date (the "**Retirement Bonus**"); provided that Executive remains employed by the Employer through the Effective Time; provided further, however, that no such Retirement Bonus shall be payable to Executive if he revokes this Agreement prior to the Effective Date (as defined in Section 7 below) or if he fails to re-execute this Agreement on or after December 31, 2008, but not later than January 7, 2009.

(b) Executive acknowledges that the amounts payable pursuant to shall: (i) be paid only as set forth in ; and (ii) be subject to all applicable withholding and reporting requirements.

Section 4. Termination of Benefits. Except as otherwise provided for herein or in the Consulting Agreement dated the date hereof between the Corporation and Executive (the "Consulting Agreement"), Executive's continued participation in all compensation and other benefit plans will cease at the Effective Time; provided that nothing contained herein shall limit or otherwise impair Executive's right to receive pension, welfare or similar benefit payments which are vested before, at or as of the Effective Time under any applicable tax-qualified pension plan, welfare benefit plan or other tax-qualified or non-qualified benefit plans, pursuant and subject to the terms and conditions of the applicable plan, and provided further that all unvested stock options and all unvested shares of restricted stock that heretofore have been granted to Executive under the Corporation's 2006 Equity Incentive Plan (the "EIP") shall continue to vest subject to and in accordance with the terms and conditions of the EIP and the grant documents, and in his capacity as a consultant to the Corporation under the Consulting Agreement, shall be considered a "service provider" under Sections 1.3, 5.2(a) and 8.1(y) of the EIP.

Section 5. Non-Competition and Other Agreements. Executive acknowledges that Section 22 of the Employment Agreement expressly provides that certain of the terms and provisions of the Employment Agreement shall survive the termination of the Employment Agreement and Executive's employment with the Bank, including the non-competition agreements set forth in Section 8(a) of the Employment Agreement. Executive and the Employer agree that nothing in this Retirement Agreement is intended to or shall alter or affect the survivability of such terms and provisions as specified in Section 22 of the Employment Agreement. Executive and Employer further agree that, effective at the Effective Time, Section 8(a) of the Employment Agreement shall be amended, without further notice or action on the part of either Executive or the Employer, to provide as follows:

"Non-Competition. Except as otherwise provided for in the Consulting Agreement between the Corporation and Executive, Executive shall not, during the Non-Competition Period (as hereinafter defined), directly or indirectly, and in any capacity,

including as an individual for Executive's own account, or as an employee, agent, independent contractor, consultant, officer, director, stockholder, owner or member of any association, corporation (whether for profit or not for profit), partnership (whether general or limited), limited liability company, trust, firm, any federal, state or local government, agency, commission, board, district or body politic, any other registered or legal entity of any type (each a "**Legal Entity**"), or as an employee, agent, independent contractor or consultant of or for any person, compete with the Employer in any of the following lines of business: the business of originating or purchasing loans, leases and payment streams thereunder, accepting deposits, selling or providing insurance, securities, financial planning, and asset management products and services, accepting referrals of any of the foregoing, and other business contracts, relationships or activities of the Employer and any Affiliate (as defined below) of the Employer (collectively, "**Banking Business**") from a place that is located within five (5) miles of a place where the Employer or any Affiliate maintains a branch, office or other place of business, or has filed a regulatory notice or application to establish a branch, office or other place of business (collectively, the "**Restricted Area**"). The term "**Non-Competition Period**" shall mean a period of twenty-four (24) months commencing on the Termination Date or, if earlier, such other date as his employment with the Employer terminates. Notwithstanding the foregoing or anything to the contrary herein, Executive shall be entitled to engage in the practice of loan consulting and review during the Non-Competition Period and the foregoing restrictions shall not apply to any activities in which Executive engages that are within the scope of Executive's practice of loan consulting and review; provided, however, that this exception shall not apply to allow Executive to provide or engage in the practice of loan consulting and review during the Non-Competition Period with respect to any of the following four organizations or their affiliates: (i) MB Financial, Inc., (ii) PrivateBancorp, Inc., (iii) First Midwest Bancorp, Inc. and (iv) Midwest Banc Holdings, Inc. The term "**Affiliate**" means, for all purposes of this Agreement, any Legal Entity that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Employer. The following Legal Entities are Affiliates of the Employer as of the Agreement Date: Financial Assurance Services, Inc.; SXNB Corporation (an Illinois corporation in dissolution); Success Bancshares, Inc. (a Delaware corporation in dissolution); and BF Asset Recovery Corporation."

Executive and Employer further agree that, effective at the Effective Time, Section 8(f) of the Employment shall be deleted from the Employment Agreement in its entirety.

Section 6. Release of Claims and Waiver of Rights. In consideration of the payment set forth in Section 3 of this Agreement, Executive, on Executive's own behalf and that of Executive's heirs, executors, attorneys, administrators, successors and assigns, fully releases and discharges the Employer, its parent companies, predecessors, successors, subsidiaries, Affiliates, assigns and all related entities of any kind or nature, and its and their directors, officers, trustees, employees, and agents whether in their individual or official capacities and the current and former trustees or administrators of any retirement or other

benefit plan applicable to the employees or former employees of the Employer, in their official and individual capacities from any and all liability, claims and demands, including but not limited to, claims, demands or actions arising under the Employer's policies and procedures, whether formal or informal, United States or State of Illinois Constitutions; the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Illinois Human Rights Act; the Employee Retirement Income Security Act of 1974, as amended; the Age Discrimination in Employment Act; Executive Order 11246; and any other federal, state or local statute, ordinance or regulation with respect to employment, and in addition thereto, from any other claims, demands or actions with respect to Executive's employment with the Employer or other association with the Employer through the Effective Date, including, but not limited to, the termination of Executive's employment with the Employer, any right of payment for disability or any other statutory or contractual right of payment or any claim for relief on the basis of any alleged tort or breach of contract under the common law of the State of Illinois or any other state, including, but not limited to, defamation, intentional or negligent infliction of emotional distress, breach of the covenant of good faith and fair dealing, promissory estoppel, and negligence. Executive represents that Executive has not assigned or filed any claim, demand, action or charge against the Employer, any of its parent companies, any of its subsidiaries or affiliates, or any of its related entities of any kind or nature.

Section 7. Representations by Executive. Executive warrants that he has not relied on any statements or explanations made by the Employer or its attorney other than the terms of this Agreement. Executive agrees that he shall re-execute this Agreement on or after December 31, 2008 but not later than January 7, 2009, and that no payments shall be made to Executive hereunder unless Executive re-executes this Agreement within such time period. Moreover, Executive acknowledges that he has been afforded the opportunity to be advised by legal counsel regarding the terms of this Agreement, including the release of all claims and waiver of rights set forth in . Executive acknowledges that Executive has been offered at least twenty-one (21) days to consider this Agreement. After being so advised, and without coercion of any kind, Executive freely, knowingly, and voluntarily enters into this Agreement. Executive further acknowledges that Executive may revoke this Agreement within seven (7) days after Executive has signed this Agreement and further understands that this Agreement shall not become effective or enforceable until seven (7) days after Executive has signed this Agreement as evidenced by the date set forth below Executive's signature (each such date, the "**Effective Date**"). Any revocation must be in writing and delivered to the principal headquarters office of the Employer, Attention: Chief Executive Officer and General Counsel, with a copy concurrently so delivered to General Corporate Counsel to the Employer, Barack Ferrazzano Kirschbaum & Nagelberg LLP, 200 West Madison Street, Suite 3900, Chicago, Illinois 60606, to the joint attention of Edwin S. del Hierro and Donald L. Norman, Jr. If sent by mail, any revocation must be postmarked within the seven (7)-day period and sent by certified mail, return receipt requested. In addition, Executive represents that Executive shall, no later than December 31, 2008, return all property of the Employer that is in Executive's possession, custody or control, including all documents, records and tangible property that are not publicly available and reflect, refer or relate to the Employer or the Employer's business affairs, operations or customers, and all copies of the foregoing.

Section 8. Non-Disparagement. Executive agrees that, at all times following the signing of this Agreement, Executive shall not engage in any vilification of the Employer nor any Affiliate nor its and their directors, officers, employees and agents, and shall refrain from making any false, negative, critical, or disparaging statements, implied or expressed, concerning the Employer and any Affiliate and its and their directors, officers, employees and agents, including, but not limited to, management style, methods of doing business, the quality of products and services, role in the community, or treatment of employees. Executive further agrees to do nothing that would damage the Employer's and its Affiliates' business reputations or good will.

Section 9. No Admissions. The Employer denies that it or any of its employees or agents has taken any improper action against Executive, and Executive agrees that this Agreement shall not be admissible in any proceeding as evidence of improper action by the Employer or any of its employees or agents.

Section 10. Confidentiality. Executive and the Employer agree to keep the existence and the terms of this Agreement confidential, except for Executive's immediate family members or their legal or tax advisors in connection with services related hereto and except as may be required by the federal securities laws or other applicable law or in connection with the preparation of tax returns.

Section 11. Non-Waiver. The Employer's waiver of a breach of this Agreement by Executive shall not be construed or operate as a waiver of any subsequent breach by Executive of the same or of any other provision of this Agreement.

Section 12. Governing Law. The validity, interpretation, performance and enforcement of this Agreement shall be governed by the internal laws of the State of Illinois, without regard or reference to any principles of conflicts of law of the State of Illinois, except to the extent that such internal laws are preempted by the laws of the United States or the regulations of the OTS or any other agency of the United States.

Section 13. Entire Agreement. This Agreement sets forth the entire agreement of the parties with respect to the matters provided for herein, and shall be final and binding as to all claims that have been or could have been advanced on behalf of Executive pursuant to any claim arising out of or related in any way to Executive's employment with the Employer and the termination of that employment.

Section 14. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. Facsimile transmission of any executed original document shall be deemed to be the same as the delivery of the executed original.

Section 15. Dispute Resolution.

(a) **Arbitration.** Except for claims, cases or controversies based on or arising out of "Section 8 Claims" (as defined in the Employment Agreement), all claims, cases or

controversies arising out of or in connection with either this Agreement, Executive's employment with the Employer or the termination or cessation of such employment (collectively, "**Employment Claims**"), whether asserted against the Employer, an Affiliate, and/or an officer, director or employee of the Employer or an Affiliate, and whether based on this Agreement or existing or subsequently enacted or adopted statutory or common law doctrines, shall be finally settled by arbitration conducted by JAMS Endispute or a successor entity ("**JAMS**") in Chicago, Illinois, in accordance with the then applicable Employment Arbitration Rules and Procedures of JAMS, or in the event JAMS or a successor in interest of JAMS no longer provides arbitration services, by the American Arbitration Association or a successor entity (the "**AAA**") in accordance with its then applicable National Rules for the Resolution of Employment Disputes. The costs and fees imposed by JAMS or the AAA for conducting such arbitration shall be borne equally by Executive and the Employer unless the arbitrator determines otherwise. The award rendered by the arbitrator(s) shall be final and binding upon Executive, the Employer and any other parties to such proceeding, and may be entered and enforced as a judgment in any court of competent jurisdiction. The Employment Claims subject to arbitration hereunder shall include, but shall not be limited to, those arising under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the amendments of the Civil Rights Act of 1991, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the law of contract, the law of tort, and other claims under federal, state or local statutes, ordinances and rules or the common law. Executive and the Employer acknowledge that by agreeing to arbitration they are relinquishing all rights they have to sue each other for Employment Claims that do not constitute Section 8 Claims and any rights that they may have to a jury trial on Employment Claims that do not constitute Section 8 Claims.

(b) **Section 8 Claims.** All Section 8 Claims shall be brought, commenced and maintained only in a state or federal court of competent jurisdiction situated in the County of Cook or the County of DuPage, State of Illinois. Executive and the Employer each hereby (i) consents to the exercise of jurisdiction over his or its person and property by any court of competent jurisdiction situated in the County of Cook or the County of DuPage, State of Illinois for the enforcement of any claim, case or controversy based on or arising under Section 8 of the Employment Agreement; (ii) waives any and all personal or other rights to object to such jurisdiction for such purposes; and (iii) waives any objection which it may have to the laying of venue of any such action, suit or proceeding in any such court.

Section 16. Miscellaneous. The headings used in this Agreement are for convenience only, shall not be deemed to constitute a part hereof, and shall not be deemed to limit, characterize or in any way affect the construction or enforcement of the provisions of this Agreement. Wherever from the context that it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural and the pronouns stated in either the masculine, feminine or the neuter gender shall include the masculine, feminine and neuter, and the words "include," "includes" and "including" shall mean "include, without limitation," "includes, without limitation" and "including, without limitation," respectively. The subject matter and language of this Agreement have been the subject of negotiations between the parties and their respective counsel, and this Agreement has been jointly prepared

by their respective counsel. Accordingly, this Agreement shall not be construed against either party on the basis that this Agreement was drafted by such party or its counsel. This Agreement shall be binding upon and inure to the benefit of Executive and Executive's heirs and personal representatives and the Employer and its successors, representatives and assigns.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the dates set forth below.

BANKFINANCIAL CORPORATION

By: _____ Date: _____
Title: _____

BANKFINANCIAL, F.S.B.

By: _____ Date: _____
Title: _____

Date: _____
ROBERT J. O'SHAUGHNESSY

Re-executed this ____ day of
January, 2009

ROBERT J. O'SHAUGHNESSY

Exhibit A

[BankFinancial, F.S.B. Amended and Restated Employment Agreement]

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") is made effective as of the 20th day of October, 2008, by and between **BankFinancial Corporation** (the "Company"), and **Robert J. O'Shaughnessy** (the "Consultant").

WHEREAS, the Company and Consultant have entered into that certain Retirement Agreement dated October 20, 2008 (the "Retirement Agreement");

WHEREAS, the Company has requested Consultant to provide limited consulting services to the Company and its wholly-owned subsidiary, BankFinancial, F.S.B. (the "Bank") as set forth more fully herein, and Consultant has agreed to do so subject to the terms and conditions of this Agreement;

WHEREAS, the Retirement Agreement provides for certain payments (the "Retirement Payments") to be made to Consultant;

WHEREAS, the Retirement Payments may be subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, to the extent applicable or necessary, the parties wish to take advantage of Internal Revenue Service provided transition relief under Code Section 409A to change the time and form of the Severance Payments, and any payment or payments made in substitution thereof.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

Section 1. Term. Provided that Consultant remains employed by the Company through 11:59 p.m. Chicago Time on December 31, 2008 (the "Effective Time") and does not subsequently revoke any waiver or release pursuant to Section 7 of the Retirement Agreement, the term of this Agreement shall commence at the Effective Time and, unless extended or sooner terminated as provided herein, shall end on December 31, 2009 (the "Term"). On or before December 31, 2009, the Company may, in its sole discretion, offer to extend the Term for an additional six (6) month period, and Consultant may accept or decline such offer in his sole discretion. All references herein to the Term shall mean the Term as initially established by, and as may subsequently be modified or extended pursuant to, this Section 1.

Section 2. Consulting Services. During the Term, Consultant shall provide such consulting services with respect to the Company as may be requested, including, but not limited to, assistance with loan reviews, residential and commercial lending operations, commercial loans, merchant processing, deposit servicing and pre-purchase due diligence (the "Services"). Such Services shall be rendered to the Board of Directors or such officers of the Company as are mutually agreed upon between Consultant and the Company, with Consultant's principal work location being the Company's office in Burr Ridge, Illinois or as otherwise agreed, subject to reasonable requests to travel on behalf of the Company. The Services to be provided by Consultant in any month during the first twelve (12) months of the

Term shall require no more than fifty (50) hours per month of his time unless otherwise hereafter agreed by the parties. A deficiency of hours in any month may be made up in other months, and any surplus hours in any month may be credited to other months. Should the Consultant be temporarily disabled from performing Services in any month of those first twelve (12) months, Consultant's performance of Services while so disabled shall be excused without diminishing his monthly Consulting Fee (defined below).

Section 3. Independent Contractor.

(a) Consultant and the Company agree that during the Term, Consultant shall act as an independent contractor in the performance of his duties under this Agreement. Consultant shall have the full authority to select the means, manner and method of performing the services to be performed under this Agreement. Consultant shall not be considered by reason of the provisions of this Agreement or otherwise as being an employee of the Company. In no event shall Consultant represent to any third party that he is an agent or employee of the Company or connected with the Company in any manner other than pursuant to this Agreement.

(b) Consultant's employment with the Company and the Bank shall cease prior to the commencement of the Term in accordance with the terms of the Retirement Agreement. As such, Consultant is not entitled to paid vacation, paid holidays, participation in group health insurance, participation in any retirement programs, premium or "overtime" pay, workers' compensation, severance payments, or any other employment rights or benefits from the Company; provided, however, that all unvested stock options and all unvested shares of restricted stock that heretofore have been granted to Executive under the Corporation's 2006 Equity Incentive Plan (the "EIP") shall continue to vest subject to and in accordance with the terms and conditions of the EIP and the grant documents, and in his capacity as a consultant to the Company, shall be considered a "service provider" under Sections 1.3, 5.2(a) and 8.1(y) of the EIP. The Company has no obligation and will make no withholdings or deductions from compensation for any federal or state taxes or the Federal Insurance Contribution Act (FICA) or Federal Unemployment Tax Act (FUTA). It will be the Consultant's responsibility to remit appropriate taxes to the proper state and Federal authorities. The Company will issue a Form 1099 reporting the amounts paid to the Consultant for services performed under this Agreement.

Section 4. Compensation.

(a) **Consulting Fee.** The Company agrees to pay to Consultant during the first twelve (12) months of the Term, and Consultant agrees to accept, a monthly consulting fee of Nine Thousand Seven Hundred-Fifty Dollars (\$9,750.00), payable on the 1st day of each month or the first business day thereafter if the 1st day of the month is not a day that the Company is open for business, in consideration for Consultant's performance of the Services. The Company agrees to pay to Consultant during any month of the Term following the first twelve (12) months thereof, and Consultant agrees to accept, a consulting fee equal to the number of hours worked to perform Services during the month by Consultant multiplied by an hourly rate of One Hundred Ninety-Five Dollars (\$195.00), payable on the 15th day of the month following the month during which the Services were performed or the first business day

thereafter if the 15th day of the month is not a day that the Company is open for business; provided, however, that Consultant must provide the Company with an accurate record of hours worked during the previous month no later than the 2nd business day of the month in which payment is due; otherwise such fees shall be paid within thirty (30) days of such submission of records. All fees described in this hereinafter referred to as the “**Consulting Fee.**”

(b) Reimbursement of Expenses. Consultant shall be reimbursed upon submission of appropriate vouchers and supporting documentation for all travel and other out-of-pocket expenses reasonably and necessarily incurred by Consultant in the performance of his services hereunder.

Section 5. Termination of Agreement. This Agreement shall terminate without notice or action on the part of either the Company or Consultant upon the expiration of the Term. Prior to the expiration of the Term, either the Company or the Consultant may, upon written notice to the other, terminate this Agreement and Consultant’s engagement hereunder for any reason or no reason. In the event of a termination by Consultant for any reason or by the Company other than “**For Cause**” prior to the expiration of the Term, the Company shall pay Consultant his accrued and unpaid Consulting Fee as of the effective date of termination and the early termination fee set forth in Section 6 of this Agreement. Upon termination, no further Consulting Fees no other amounts shall be payable to Consultant, and the Company shall have no further obligations to Consultant under this Agreement. For the purposes of this Agreement, “**For Cause**” shall have the same meaning ascribed the term in Section 4(b) of the Amended and Restated Employment Agreement between the Bank and the Consultant dated as of May 6, 2008 (the “Employment Agreement”).

Section 6. Non-Competition and Other Agreements. Consultant acknowledges and agrees that the non-competition agreements set forth in Section 8(a) of the Employment Agreement, as amended by Section 5(a) of the Retirement Agreement, will remain in full force and effect in accordance with their terms, whether or not the Company or Consultant terminates this Agreement prior to the expiration of the Term pursuant to Section 5 of this Agreement. Notwithstanding the foregoing: (a) for each day during the Term, the Restricted Period described in Section 8(a) of the Employment Agreement, as amended by Section 5(a) of the Retirement Agreement, shall be reduced by one day (but not below six (6) months); and (b) in recognition of the limitations imposed by such non-competition agreements, the Company will pay Consultant an early termination fee calculated as follows if it terminates this Agreement other than For Cause prior to the expiration of the Term: (i) if the termination occurs during the first twelve (12) months of the Term, the Company will pay Consultant an amount equal to the monthly Consulting Fee that would have been paid to Consultant for the duration of such initial twelve (12) month period if the termination had not occurred; and (ii) if the termination occurs during any month of the Term following the first twelve (12) months thereof, the Company will pay Consultant an amount equal to fourteen thousand six hundred and twenty five dollars (\$14,625). Notwithstanding the foregoing, no early termination fee shall be payable if this Agreement is terminated by the Company For Cause or by virtue of Consultant’s death, or because of the Consultant’s total and permanent disability.

Section 7. Governing Law. The validity, interpretation, performance and enforcement of this Agreement shall be governed by the internal laws of the State of Illinois, without regard or reference to any principles of conflicts of law of the State of Illinois, except to the extent that such internal laws are preempted by the laws of the United States or the regulations of the OTS or any other agency of the United States.

Section 8. Assignment, Successors and No Third Party Rights. No party may assign any of its rights under this Agreement to any other person without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs and permitted assigns. Except as expressly provided herein, nothing in this Agreement shall be construed to give any person other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement.

Section 9. Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege.

Section 10. Modification. This Agreement may only be amended by a written agreement executed by both parties.

Section 11. Notices. All notices and other communications under this Agreement must be in writing and will be deemed to have been duly given if delivered by hand or by nationally recognized overnight delivery service (receipt requested) or mailed by certified mail (return receipt requested) with first class postage prepaid; and if to the Company, addressed to the principal headquarters office of the Company, Attention: Chief Executive Officer and General Counsel, with a copy concurrently so delivered to General Corporate Counsel to the Company, Barack Ferrazzano Kirschbaum & Nagelberg LLP, 200 West Madison Street, Suite 3900, Chicago, Illinois 60606, to the joint attention of Edwin S. del Hierro and Donald L. Norman, Jr.; or if to Consultant, to the address set forth below Consultant's signature on this Agreement, or to other such address as the party to be notified shall have given to the other in writing. Except as otherwise provided herein, all such notices and other communications shall be effective: (a) if delivered by hand, when delivered; (b) if mailed in the manner provided in this Section, five (5) business days after deposit with the United States Postal Service; or (c) if delivered by overnight express delivery service, on the next business day after deposit with such service.

Section 12. Entire Agreement. This Agreement and any documents executed by the parties pursuant to this Agreement and referred to herein constitute a complete and exclusive statement of the entire understanding and agreement of the parties hereto with respect to their subject matter and supersede all other prior agreements and understandings, written or oral, relating to such subject matter between the parties.

Section 13. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Without limiting the generality of the foregoing, if the scope of any provision contained in this Agreement is too broad to permit enforcement to its full extent, but may be made enforceable by limitations thereon, such provision shall be enforced to the maximum extent permitted by law, and Consultant hereby agrees that such scope may be judicially modified accordingly.

Section 14. Counterparts. This Agreement and any amendments thereto may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 15. Compliance with Internal Revenue Code Section 409A. To the extent applicable, this Agreement is intended to comply in all respects with Internal Revenue Code Section 409A.

Section 16. Acknowledgement. Consultant hereby represents to the Company that it is Consultant's belief that he is under no obligation or agreement that would prevent him from becoming a Consultant to the Company or adversely impact his ability to perform the expected Services. Consultant hereby agrees and acknowledges that in the event that any third party initiates any action claiming that this Agreement, or the provision of Services hereunder is in violation of any agreement between Consultant and the third party, that the Company has the absolute right to immediately terminate this Agreement, and any payments hereunder during the resolution of such dispute. Regardless of the outcome of such dispute, the Company shall have no obligation to re-hire or reinstate this Agreement in any manner, at any time. It is the intentions of the parties that in fulfilling the obligations of the Services, that Consultant will not unlawfully utilize any trade secrets or intellectual property rights of any third party, and the Company shall not put Consultant in a position which would require him to do so.

[Signature page follows]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the dates set forth below.

BANKFINANCIAL CORPORATION

By: _____
Title: _____

Date: _____

ROBERT J. O'SHAUGHNESSY

Date: _____

**AMENDMENT TO THE
BANKFINANCIAL CORPORATION
2006 EQUITY INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT**

WHEREAS, BANKFINANCIAL Corporation (the “**Company**”) and **ROBERT J. O’SHAUGHNESSY** (the “**Participant**”) have entered into that certain Restricted Stock Award Agreement dated as of September 5, 2006 (the “**Agreement**”); and

WHEREAS, the Company and the Participant desire to amend certain provisions of the Agreement in order to provide for the ending of the Restricted Period upon the Participant’s attainment of age 70 rather than Participant’s Retirement.

NOW, THEREFORE, BE IT RESOLVED that, effective as of the 20th day of October, 2008, the Agreement is hereby amended in the following particulars:

1. Paragraph 3(a) of the Agreement is amended by deleting the existing language and replacing it with the following new Paragraph 3(a):

“(a) Notwithstanding the foregoing provisions of this **Section 3**, the Restricted Period shall expire immediately upon the earliest of the following events to occur: (i) a Change in Control that occurs on or before the Participant’s Termination of Service; (ii) the Participant’s Termination of Service as a result of the Participant’s Death or Disability; (iii) the Participant’s attainment of age 70; (iv) the Participant’s employment or consulting arrangement is terminated by the Company other than for Cause, or (v) the Participant terminates his employment for Good Reason (for purposes of this Agreement, the terms “**Cause**” and “**Good Reason**” shall have the meanings ascribed to them in the applicable employment agreement between the Participant and the Company or its Subsidiary).”

2. Paragraph 3(b) of the Agreement is amended by deleting the existing language and replacing it with the following new Paragraph 3(b):

“In the event the Participant’s Termination of Service other than due to Death or Disability occurs prior to the expiration of one or more Restricted Periods, the Participant shall forfeit all rights, title and interest in and to any Installment(s) of Covered Shares still subject to a Restricted Period as of the Participant’s Termination of Service date.”

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

BANKFINANCIAL CORPORATION

By: _____

Its: _____

ROBERT J. O'SHAUGHNESSY

**AMENDMENT TO THE
BANKFINANCIAL CORPORATION
2006 EQUITY INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AWARD TERMS**

WHEREAS, BANKFINANCIAL Corporation (the “**Company**”) has granted non-qualified stock options to **ROBERT J. O’SHAUGHNESSY** (the “**Participant**”) pursuant to the certain Non-Qualified Stock Option Award Terms dated as of _____ involving _____ Covered Shares (the “**Option**”); and

WHEREAS, the Company and the Participant desire to amend certain provisions of the Option in order to provide that the Expiration Date be based on Termination of Employment following Participant’s attainment of age 70 rather than Participant’s Retirement.

NOW, THEREFORE, BE IT RESOLVED that, effective as of the 20th day of October, 2008, the Option is hereby amended in the following particulars:

1. Paragraph 4(a) of the Option is amended by deleting the existing language and replacing it with the following new Paragraph 4(a):

“(a) Notwithstanding the foregoing provisions of this Section 3, the Option shall become fully exercisable upon the earliest of the following events to occur: (i) a Change in Control that occurs on or before the Participant’s Termination of Service; (ii) the Participant’s Termination of Service as a result of the Participant’s Death or Disability; (iii) the Participant’s attainment of age 70; (iv) the Participant’s employment or consulting arrangement is terminated by the Company other than for Cause, or (v) the Participant terminates his employment for Good Reason (for purposes of this Agreement, the terms “**Cause**” and “**Good Reason**” shall have the meanings ascribed to them in the applicable employment agreement between the Participant and the Company or its Subsidiary.”

2. Paragraphs 5(c) and 5(d) of the Option are amended by deleting the existing language and replacing it with the following new Paragraphs 5(c), 5(d) and 5(e):

“(c) the twelve (12) month anniversary of the Participant’s Termination of Service if the Termination of Service occurs due to Death or Disability;”

“(d) the twelve (12) month anniversary of the Participant’s Termination of Service if the Termination of Service occurs after the Participant’s attainment of age 70; or

“(e) the three (3) month anniversary of the Participant’s Termination of Service if the Termination of Service occurs prior to the Participant’s attainment of age 70 for reasons other than

Death, Disability, or Cause; *provided, however*, that if the Participant returns to employment with, or as a director or consultant to, the Company, within three (3) months after the Termination of Service, such termination shall have no effect on the Option and the Participant shall have the same number of shares and the same vesting schedule as set forth in this Agreement.”

IN WITNESS WHEREOF, this Amendment has been executed as of the date first above written.

BANKFINANCIAL CORPORATION

By: _____
Its: _____

ROBERT J. O'SHAUGHNESSY