BankFinancial CORP
Form 10-Q
April 26, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended March 31, 2010

or

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

For transition period from to

Commission File Number 0-51331

BANKFINANCIAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

Maryland	**75-3199276**
(State or Other Jurisdiction	**(I.R.S. Employer**
of Incorporation)	**Identification No.)**

15W060 North Frontage Road, Burr Ridge, Illinois	**60527**
(Address of Principal Executive Offices)	**(Zip Code)**

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

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

21,416,377 shares of Common Stock, par value $0.01 per share, were issued and outstanding as of April 22, 2010.

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BANKFINANCIAL CORPORATION

Form 10-Q Quarterly Report

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PART I

ITEM 1. FINANCIAL STATEMENTS

BANKFINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

March 31, 2010 and December 31, 2009

(In thousands, except share and per share data)

(Unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Cash and due from other financial institutions	$ 13,934	$ 20,355
Interest-bearing deposits in other financial institutions	161,897	87,843
Cash and cash equivalents	175,831	108,198
Securities available-for-sale, at fair value	94,447	102,126
Loans held-for-sale		
Loans receivable, net of allowance for loan losses:		
March 31, 2010, $17,516; and December 31, 2009, $18,622	1,152,385	1,218,540
Real estate owned	6,882	4,084
Stock in Federal Home Loan Bank, at cost	15,598	15,598
Premises and equipment, net	34,305	34,614
Accrued interest receivable	5,557	6,111
Goodwill	22,566	22,566
Core deposit intangible	3,890	4,295
Bank owned life insurance	20,230	20,151
FDIC prepaid expense	6,268	6,777
Income tax receivable	9,108	11,729
Other assets	11,587	12,174
Total assets	$ 1,558,654	$ 1,566,963
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	1,231,971	1,233,395
Borrowings	48,092	50,784
Advance payments by borrowers taxes and insurance	5,901	8,052
Accrued interest payable and other liabilities	8,981	11,129
Total liabilities	1,294,945	1,303,360
Commitments and contingent liabilities		
Stockholders equity:		
Preferred Stock, $0.01 par value, 25,000,000 shares authorized, none issued or outstanding		

Common Stock, $0.01 par value, 100,000,000 shares authorized; shares issued at March 31, 2010 and December 31, 2009, 21,416,377	214	214
Additional paid-in capital	195,709	195,177
Retained earnings	80,749	81,531
Unearned Employee Stock Ownership Plan shares	(14,928)	(15,169)
Accumulated other comprehensive income	1,965	1,850
Total stockholders equity	263,709	263,603
Total liabilities and stockholders equity	$ 1,558,654	$ 1,566,963

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31, 2010 and 2009

(In thousands, except share and per share data) - (Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Interest income:		
Loans, including fees	$ 16,057	$ 17,563
Securities	1,008	1,343
Other	80	
Total interest income	17,145	18,906
Interest expense:		
Deposits	3,629	5,131
Borrowings	300	605
Total interest expense	3,929	5,736
Net interest income	13,216	13,170
Provision for loan losses	851	1,344
Net interest income after provision for loan losses	12,365	11,826
Noninterest income:		
Deposit service charges and fees	773	794
Other fee income	434	428
Insurance commissions and annuities income	135	177
Gain on sale of loans, net	47	256
Loss on disposition of premises and equipment		(4)
Loan servicing fees	170	175
Amortization and impairment of servicing assets	(243)	(222)
Earnings (loss) on bank owned life insurance	79	(59)
Other	60	97
Total noninterest income	1,455	1,642
Noninterest expense:		
Compensation and benefits	7,211	7,865
Office occupancy and equipment	1,801	1,767
Advertising and public relations	216	366
Information technology	921	1,008
Supplies, telephone, and postage	361	424
Amortization of intangibles	405	429
Operations of real estate owned	134	253
FDIC insurance premiums	555	49
Other	1,074	881
Total noninterest expense	12,678	13,042

Income before income taxes		1,142		426
Income tax expense		426		254
Net income	$	716	$	172
Basic earnings per common share	$	0.04	$	0.01
Diluted earnings per common share	$	0.04	$	0.01
Weighted average common shares outstanding		19,819,709		19,779,561
Diluted weighted average common shares outstanding		19,819,709		19,779,561

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY AND

COMPREHENSIVE INCOME

Three months ended March 31, 2010 and 2009

(In thousands, except share and per share data) - (Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Employee Stock Ownership Plan Shares	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income
Balance at December 31, 2008	$ 217	$ 195,119	$ 88,279	$ (16,148)	$ (676)	$ 266,791	
Comprehensive income:							
Net income			172			172	$ 172
Change in other comprehensive income, net of tax effects					814	814	814
Total comprehensive income							$ 986
Purchase and retirement of common stock (207,800 shares)	(2)	(1,798)				(1,800)	
Nonvested stock awards-Stock-based compensation expense		941				941	
Cash dividends declared on common stock ($0.07 per share)			(1,512)			(1,512)	
ESOP shares earned		(1)		242		241	
Balance at March 31, 2009	$ 215	$ 194,261	$ 86,939	$ (15,906)	$ 138	$ 265,647	
Balance at December 31, 2009	$ 214	$ 195,177	$ 81,531	$ (15,169)	$ 1,850	$ 263,603	
Comprehensive income:							
Net income			716			716	$ 716
Change in other comprehensive income, net of tax effects					115	115	115
Total comprehensive income							$ 831
Nonvested stock awards-Stock-based compensation expense		552				552	
Cash dividends declared on common stock ($0.07 per share)			(1,498)			(1,498)	
ESOP shares earned		(20)		241		221	
Balance at March 31, 2010	$ 214	$ 195,709	$ 80,749	$ (14,928)	$ 1,965	$ 263,709	

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31, 2010 and 2009

(In thousands) - (Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash flows from operating activities		
Net income	$ 716	$ 172
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	851	1,344
ESOP shares earned	221	241
Stock-based compensation expense	552	941
Depreciation and amortization	1,093	1,017
Amortization of premiums and discounts on securities and loans	(3)	(37)
Amortization of core deposit and other intangible assets	403	424
Amortization and impairment of servicing assets	243	222
Net change in net deferred loan origination costs	73	
Net loss on sale of real estate owned		27
Net gain on sale of loans	(47)	(256)
Net loss on disposition of premises and equipment		4
Loans originated for sale	(2,311)	(13,534)
Proceeds from sale of loans	2,358	12,933
Net change in:		
Deferred income tax	329	(160)
Accrued interest receivable	554	312
Loss (earnings) on bank owned life insurance	(79)	59
Other assets	1,620	844
Accrued interest payable and other liabilities	(2,148)	(1,929)
Net cash from operating activities	4,425	2,624
Cash flows from investing activities		
Securities		
Proceeds from sales		
Proceeds from maturities	13	540
Proceeds from principal repayments	7,857	6,314
Loans receivable		
Principal payments on loans receivable	191,938	221,117
Purchase of loans	(798)	(9,984)
Originated for investment	(128,115)	(229,070)
Proceeds from sale of real estate owned	525	108
Purchases of premises and equipment, net	(447)	(910)
Net cash from investing activities	70,973	(11,885)

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BANKFINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31, 2010 and 2009

(In thousands) - (Unaudited)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash flows from financing activities		
Net change in deposits	(1,424)	83,883
Net change in borrowings	(2,692)	(76,355)
Net change in advance payments by borrowers for taxes and insurance	(2,151)	(1,247)
Repurchase and retirement of common stock		(1,800)
Cash dividends paid on common stock	(1,498)	(1,512)
Net cash from financing activities	(7,765)	2,969
Net change in cash and cash equivalents	67,633	(6,292)
Beginning cash and cash equivalents	108,198	29,329
Ending cash and cash equivalents	$ 175,831	$ 23,037
Supplemental disclosures of cash flow information:		
Interest paid	$ 3,968	$ 5,927
Income taxes paid		
Loans transferred to real estate owned	3,378	364

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 1 Basis of Presentation

BankFinancial Corporation, a Maryland corporation headquartered in Burr Ridge, Illinois (the Company), is the owner of all of the issued and outstanding capital stock of BankFinancial, F.S.B. (the Bank). As used in this Quarterly Report on Form 10-Q, the words Company, we and our are intended to refer to the Company, the Bank, and the Bank s subsidiaries, with respect to information presented for the three-month period ended March 31, 2010 and other periods referenced herein.

The interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. All significant intercompany accounts and transactions have been eliminated. The results of operations for the three-month period ended March 31, 2010, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2010.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

To prepare financial statements in conformity with US GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, mortgage servicing rights, goodwill, stock-based compensation, impairment of securities and fair value of financial instruments are particularly subject to change.

Certain reclassifications have been made in the prior period s financial statements to conform them to the current period s presentation.

These unaudited consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2009, and all amendments thereto, as filed with the Securities and Exchange Commission.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 2 Earnings per share

Amounts reported in earnings per share reflect earnings available to common stockholders for the period divided by the weighted average number of shares of common stock outstanding during the period, exclusive of unearned ESOP shares and unvested restricted stock shares. Stock options and restricted stock are regarded as potential common stock and are considered in the diluted earnings per share calculations to the extent that they would have a dilutive effect if converted to common stock computed using the treasury stock method.

	Three months ended March 31, 2010	2009
Net income available to common shareholders	$ 716	$ 172
Average common shares outstanding	21,416,377	21,617,158
Less:		
Unearned ESOP shares	(1,488,018)	(1,598,497)
Unvested restricted stock shares	(108,650)	(239,100)
Weighted average common shares outstanding	19,819,709	19,779,561
Basic earnings per common share	$ 0.04	$ 0.01
Weighted average common shares outstanding	19,819,709	19,779,561
Net effect of dilutive stock options and unvested restricted stock		
Weighted average diluted common shares outstanding	19,819,709	19,779,561
Diluted earnings per common share	$ 0.04	$ 0.01
Number of anti-dilutive stock options excluded from the diluted earnings per share calculation	2,322,603	2,334,803
Weighted average exercise price of anti-dilutive stock option	$ 16.51	$ 16.51

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 3 Securities

The fair value of securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2010				
Municipal securities	$ 1,225	$ 87	$	$ 1,312
Mortgage-backed securities - residential	30,498	1,282		31,780
Collateralized mortgage obligations	59,437	1,810	(5)	61,242
SBA-guaranteed loan participation certificates	112	1		113
	$ 91,272	$ 3,180	$ (5)	$ 94,447
December 31, 2009				
Municipal securities	$ 1,225	$ 78	$	$ 1,303
Mortgage-backed securities - residential	33,008	1,049		34,057
Collateralized mortgage obligations	64,791	1,873	(13)	66,651
SBA-guaranteed loan participation certificates	114	1		115
	$ 99,138	$ 3,001	$ (13)	$ 102,126

The mortgage-backed securities and collateralized mortgage obligations reflected in the preceding table were issued by U.S. government-sponsored entities and agencies, Freddie Mac, Fannie Mae and Ginnie Mae, and are obligations which the government has affirmed its commitment to support. All securities reflected in the preceding table were classified as available-for-sale at March 31, 2010 and December 31, 2009.

The fair values of securities at March 31, 2010 by contractual maturity are shown below. Securities not due at a single maturity date are shown separately. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2010	
	Amortized Cost	Fair Value
Within one year	$ 550	$ 554
One to five years	675	758

	1,225	1,312
Mortgage-backed securities - residential	30,498	31,780
Collateralized mortgage obligations	59,437	61,242
SBA-guaranteed loan participation certificates	112	113
Total	$ 91,272	$ 94,447

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 3 Securities *(continued)*

Securities with unrealized losses at March 31, 2010 and December 31, 2009 not recognized in income are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2010						
Collateralized mortgage obligations	$ 369	$ 5	$	$	$ 369	$ 5
December 31, 2009						
Collateralized mortgage obligations	$ 1,358	$ 13	$	$	$ 1,358	$ 13

Interest income on securities is recognized under the interest method, and includes amortization of purchase premium and discount. Gains and losses on sales of securities are based on the amortized cost of the securities sold.

The Company evaluates marketable investment securities with significant declines in fair value on a quarterly basis to determine whether they should be considered other-than-temporarily impaired under current accounting guidance, which generally provides that if a marketable security is in an unrealized loss position, whether due to general market conditions or industry or issuer-specific factors, the holder of the securities must assess whether the impairment is other-than-temporary.

The collateralized mortgage obligations that the Company holds in its investment portfolio remained in an unrealized loss position at March 31, 2010, but the unrealized losses were not considered significant under the Company s impairment testing methodology. In addition, the Company does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell the securities before their anticipated recovery occurs.

Note 4 Loans Receivable

Loans originated are identified as either held for sale or held for investment and are accounted for accordingly upon their origination. Loans that are classified as held for sale are recorded at the lower of aggregate cost or estimated fair market value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the fair value of the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Premiums and discounts associated with loans purchased are amortized over the contractual term of the loan using the level-yield method.

Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the contractual loan term, adjusted for prepayments. Interest income is discontinued at the time a loan is 90 days delinquent unless the loan is well-secured and there are no asserted or pending legal barriers to its collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual status is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual status. Loans are returned to accrual status when the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 4 Loans Receivable *(continued)*

Loans receivable are as follows:

	March 31, 2010	December 31, 2009
One-to-four family residential real estate loans	$ 283,556	$ 289,623
Multi-family mortgage loans	308,268	329,227
Nonresidential real estate loans	307,816	316,607
Construction and land loans	26,186	32,577
Commercial loans	70,420	88,067
Commercial leases	169,633	176,821
Consumer loans	2,394	2,539
Total loans	1,168,273	1,235,461
Net deferred loan origination costs	1,628	1,701
Allowance for loan losses	(17,516)	(18,622)
Loans, net	$ 1,152,385	$ 1,218,540

Activity in the allowance for loan losses is as follows:

	Three months ended March 31,	
	2010	2009
Beginning balance	$ 18,622	$ 14,746
Provision for loan losses	851	1,344
Loans charged off	(1,974)	(1,536)
Recoveries	17	4
Ending balance	$ 17,516	$ 14,558

Individually impaired loans were as follows:

	March 31, 2010	December 31, 2009
Loans with allocated allowance for loan losses	$ 17,712	$ 22,583
Loans with no allocated allowance for loan losses	23,113	23,059
Total impaired loans	$ 40,825	$ 45,642
Amount of the allowance for loan losses allocated to impaired loans	$ 4,593	$ 5,060

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 4 Loans Receivable *(continued)*

	March 31, 2010	December 31, 2009
Average of impaired loans during the period	$ 44,527	$ 40,520
Interest income recognized during impairment	187	1,106
Cash basis interest income recognized	187	1,106

Nonaccrual loans and loans past due 90 days still on accrual are as follows:

	March 31, 2010	December 31, 2009
Nonaccrual loans	$ 43,965	$ 49,489
90 days delinquent, still accruing	2,234	148
Reserve for uncollected loan interest	2,491	2,317

Nonaccrual loans and impaired loans are defined differently. Some loans may be included in both categories, and some may only be included in one category. Nonaccrual loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Generally, the Bank only utilizes the 90 days delinquent, still accruing category of loan classification when: (1) the loan is repaid in full shortly after the period end date; (2) the loan is well secured and there are no asserted or pending legal barriers to its collection; or (3) the borrower has remitted all scheduled payments and is otherwise in substantial compliance with the terms of the loan, but the processing of payments actually received or the renewal of a loan has not occurred for administrative reasons.

The Bank had $10.1 million of loans classified as troubled debt restructurings at March 31, 2010, and $517,000 was allocated to specific reserves for those loans. The Company has no outstanding commitments to borrowers whose loans are classified as troubled debt restructurings.

The allowance for loan losses is a valuation allowance for probable incurred credit losses inherent in the loan portfolio. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience; the nature and volume of the portfolio; information about specific borrower situations; and estimated collateral values, economic conditions, and other factors. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates as more information becomes available, or as later events occur or circumstances change. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management s judgment, should be charged-off. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers nonclassified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when full payment under the loan terms is not expected. Multi-family, nonresidential real estate, construction, land, and commercial loans and leases are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan s existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 5 Deposits

Deposits are as follows:

	March 31, 2010	December 31, 2009
Noninterest-bearing demand deposits	$ 101,284	$ 108,308
Savings deposits	99,107	96,107
Money market accounts	336,089	322,126
Interest-bearing NOW accounts	290,929	303,219
Certificates of deposit	404,562	403,635
	$ 1,231,971	$ 1,233,395

Interest expense on deposit accounts is summarized as follows:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Savings deposits	$ 121	$ 121
Money market accounts	976	1,290
Interest-bearing NOW accounts	465	663
Certificates of deposit	2,067	3,057
	$ 3,629	$ 5,131

Note 6 Fair Values of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Significant unobservable inputs that reflect a company s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

The fair values of marketable equity securities are generally determined by quoted prices, in active markets, for each specific security (Level 1 measurement inputs). If Level 1 measurement inputs are not available for a marketable equity security, we determine its fair value based on the quoted price of a similar security traded in an active market (Level 2 measurement inputs). The fair values of debt securities are generally determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 measurement inputs).

The fair values of loans held for sale are generally determined by quoted prices in active markets that are accessible at the measurement date for similar, unrestricted assets (Level 2 measurement inputs).

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

(unaudited)

Note 6 Fair Values of Financial Instruments (*continued*)

Impaired loans and real estate owned (REO) properties are evaluated and valued at the time the loan is identified as impaired or placed into REO, at the lower of cost or market value less costs to sell. Market value is measured based on the value of the collateral securing these loans and is classified at a Level 2 in the fair value hierarchy. Collateral may be real estate and/or business assets, including equipment, inventory and/or accounts receivable, and its fair value is generally determined based on real estate appraisals or other independent evaluations by qualified professionals. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified above.

Real estate properties acquired in collection of a loan are initially recorded at fair value less cost to sell at acquisition, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Expenses, gains and losses on disposition, and changes in the valuation allowance are reported in noninterest income as operations of REO. Fair value is generally based on third party appraisals and internal estimates and is therefore considered a Level 2 valuation.

The fair values of mortgage servicing rights are based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Company is able to compare the valuation model inputs and results to widely available published industry data for reasonableness (Level 2 measurement inputs).

The following table sets forth the Company s financial assets that were accounted for at fair value and are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

			Fair Value Measurements Using		
	Amortized Cost	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2010					
Securities:					
Municipal securities	$ 1,225	$ 1,312	$	$ 1,312	$
Mortgage-backed securities residential	30,498	31,780		31,780	
Collateralized mortgage obligations	59,437	61,242		61,242	
SBA-guaranteed loan participation certificates	112	113		113	
	$ 91,272	$ 94,447	$	$ 94,447	$
December 31, 2009					
Securities:					

Municipal securities	$ 1,225	$ 1,303	$	$ 1,303	$
Mortgage-backed securities residential	33,008	34,057		34,057	
Collateralized mortgage obligations	64,791	66,651		66,651	
SBA-guaranteed loan participation certificates	114	115		115	
	$ 99,138	$ 102,126	$	$ 102,126	$

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(unaudited)

Note 6 Fair Values of Financial Instruments (*continued*)

The following table sets forth the Company s assets that were measured at fair value on a non-recurring basis:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2010				
Impaired loans	$ 17,712	$	$ 17,712	$
Real estate owned	1,063		1,063	
Mortgage servicing rights	422		422	
December 31, 2009				
Impaired loans	$ 22,583	$	$ 22,583	$
Real estate owned	1,118		1,118	
Mortgage servicing rights	377		377	

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral-dependent loans, had a carrying amount of $17.7 million, with a valuation allowance of $4.6 million at March 31, 2010, compared to a carrying amount of $22.6 million and a valuation allowance of $5.1 million at December 31, 2009, resulting in a decrease in the provision for loan losses of $467,000 for the three months ended March 31, 2010.

REO which are carried at lower of cost or fair value less costs to sell, had a carrying value of $6.9 million at March 31, 2010, which included a write down of $55,000 for the quarter ended March 31, 2010 compared to a carrying amount of $4.1 million at December 31, 2009,

Mortgage servicing rights, which are carried at the lower of cost or fair value, had a carrying amount of $1.5 million at March 31, 2010, comprised of $1.3 million on fixed rate loans and $432,000 on adjustable rate loans, net of a valuation allowance of $250,000 on mortgage servicing rights of the fixed rate loans. A pre-tax charge of $176,000 on our mortgage servicing rights portfolio was included in net income for the three months ended March 31, 2010, compared to a pre-tax charge of $73,000 for the same period in 2009.

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Note 6 Fair Values of Financial Instruments (*continued*)

The carrying amount and estimated fair value of financial instruments is as follows:

	March 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 175,831	$ 175,831	$ 108,198	$ 108,198
Securities	94,447	94,447	102,126	102,126
Loans receivable, net	1,152,385	1,155,086	1,218,540	1,221,098
FHLBC stock	15,598	N/A	15,598	N/A
Accrued interest receivable	5,557	5,557	6,111	6,111
Mortgage servicing rights	1,477	1,477	1,706	1,862
Financial liabilities:				
Non-interest-bearing demand deposits	$ (101,284)	$ (101,284)	$ (108,308)	$ (108,308)
Savings deposits	(99,107)	(99,107)	(96,107)	(96,107)
NOW and money market accounts	(627,018)	(627,018)	(625,345)	(625,345)
Certificates of deposit	(404,562)	(408,171)	(403,635)	(407,693)
Borrowings	(48,092)	(48,710)	(50,784)	(51,573)
Accrued interest payable	(496)	(496)	(535)	(535)

N/A = Not Applicable

For purposes of the above, the following assumptions were used:

Cash and Cash Equivalents: The estimated fair values for cash and cash equivalents are based on their carrying value due to the short-term nature of these assets.

Loans: The estimated fair value for loans has been determined by calculating the present value of future cash flows based on the current rate the Company would charge for similar loans with similar maturities, applied for an estimated time period until the loan is assumed to be repriced or repaid. Any specific loan losses established for impaired loans are deducted from the loan balance. The estimated fair values of loans held-for-sale are based on quoted market prices.

FHLBC Stock: It is not practicable to determine the fair value of Federal Home Loan Bank of Chicago (FHLBC) stock due to the restrictions placed on its transferability.

Deposit Liabilities: The estimated fair value for certificates of deposit has been determined by calculating the present value of future cash flows based on estimates of rates the Company would pay on such deposits, applied for the time period until maturity. The estimated fair values of non-interest-bearing demand, NOW, money market, and savings deposits are assumed to approximate their carrying values as management establishes rates on these deposits at a level that approximates the local market area. Additionally, these deposits can be withdrawn on demand.

Borrowings: The estimated fair values of advances from the FHLBC and notes payable are based on current market rates for similar financing. The estimated fair value of securities sold under agreements to repurchase is assumed to equal its carrying value due to the short-term nature of the liability.

Accrued Interest: The estimated fair values of accrued interest receivable and payable are assumed to equal their carrying value.

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Note 6 Fair Values of Financial Instruments (*continued*)

Off-Balance-Sheet Instruments: Off-balance-sheet items consist principally of unfunded loan commitments, standby letters of credit, and unused lines of credit. The estimated fair values of unfunded loan commitments, standby letters of credit, and unused lines of credit are not material.

While the above estimates are based on management s judgment of the most appropriate factors, as of the balance sheet date, there is no assurance that the estimated fair values would have been realized if the assets were disposed of or the liabilities settled at that date because market values may differ depending on the various circumstances. The estimated fair values would also not apply to subsequent dates.

In addition, other assets and liabilities that are not financial instruments, such as premises and equipment, are not included in the above disclosures.

Note 7 Other Comprehensive Income

Other comprehensive income components were as follows:

	Three months ended March 31, 2010	Three months ended March 31, 2009
Unrealized holding gains on securities, net of tax	$ 115	$ 814
Net loss (gain) on sale of securities recognized, net of tax		
Loss on impairment of securities, net of tax		
Change in other comprehensive income, net of tax	$ 115	$ 814

Note 8 Adoption of New Accounting Standards

In June 2009, the FASB amended previous guidance relating to transfers of financial assets that eliminates the concept of a qualifying special purpose entity. This guidance must be applied as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. This guidance must be applied to transfers occurring on or after its effective date. Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. The disclosure provisions were also amended and apply to transfers that occurred both before and after the effective date of this guidance. The adoption of this update did not have a significant impact to the Company s financial condition, results of operations or cash flows.

In June 2009, the FASB amended previous guidance for consolidation of variable interest entity guidance by replacing the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity. The amended guidance use an approach that focuses on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. Additional disclosures about an enterprise s involvement in variable interest entities are also required. This guidance is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Early adoption is prohibited. The adoption of this update did not have a significant impact to the Company s financial condition, results of operations or cash flows.

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Note 9 Newly Issued But Not Yet Effective Accounting Standards

In January 2010, the FASB issued guidance requiring increased fair value disclosures. There are two components to the increased disclosure requirements set forth in the update: (1) A description of as well as the disclosure of the dollar amount of transfers in or out of level one or level two (2) In the reconciliation for fair value measurements using significant unobservable inputs (level 3), a reporting entity should present separately information about purchases, sales, issuances and settlements (that is, gross amounts shall be disclosed as opposed to a single net figure). Increased disclosures regarding the transfers in/out of level one and two are required for interim and annual periods beginning after December 15, 2009. Increased disclosures regarding the level three fair value reconciliation are required for fiscal years beginning after December 15, 2010.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Cautionary Statement Regarding Forward-Looking Information

Forward Looking Statements

This Quarterly Report on Form 10-Q, including this Item 2, contains, and other periodic and special reports and press releases of BankFinancial Corporation may contain, forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that involve significant risks and uncertainties. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for the purpose of invoking these safe harbor provisions. Forward-looking statements are based on certain assumptions or describe our future plans, strategies and expectations, and are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project, plan, or similar ex Our ability to predict results or the actual effect of plans or strategies is inherently uncertain, and actual results may differ from those predicted. Factors that could have a material adverse effect on operations and could affect management s outlook or our future prospects include, but are not limited to: higher than expected overhead, infrastructure and compliance costs, changes in market interest rates, changes in the yield curve, balance sheet shrinkage or less than anticipated balance sheet growth, lack of demand for loan products, illiquidity and changes in financial markets, including the market for mortgage backed securities and other debt obligations, declining demand for real estate and real estate valuations, increasing unemployment levels, deposit flows, pricing, underwriting and other forms of competition, adverse federal or state legislative or regulatory developments, monetary and fiscal policies of the US Government, including policies of the US Treasury and Federal Reserve Board, adverse economic conditions that could result in increased delinquencies in our loan portfolio or a decline in the value of our investment securities and the collateral for our loans, the quality or composition of our loan or investment portfolios, demand for financial services and multi-family, commercial and residential real estate loans in our market areas, the possible short-term dilutive effect of potential acquisitions or de novo branches, if any, changes in accounting principles, policies and guidelines, increased costs of federal deposit insurance, and future adverse developments concerning the Federal Home Loan Bank of Chicago. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We do not undertake any obligation to update any forward-looking statement in the future, or to reflect circumstances and events that occur after the date on which the forward-looking statement was made.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. We believe that the critical accounting policies upon which our financial condition and results of operation depend, and which involve the most complex subjective decisions or assessments, are included in the discussion entitled Critical Accounting Policies in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and all amendments thereto, as filed with the Securities and Exchange Commission. There are no material changes to the critical accounting policies disclosed in the Annual Report on Form 10-K.

Overview

Business conditions reflected elements of a nascent recovery in economic conditions. The negative effects of continued high levels of unemployment and declines in real estate valuations offset signs of higher consumer spending and a possible future increase in business capital investment for production purposes.

Loan paydowns outpaced originations due to the combined effect of decreased loan demand and our use of underwriting standards that are more stringent than those of some competitors. Residential loan balances declined as borrowers continued to refinance adjustable-rate loans into fixed-rate loans. Multifamily loan balances declined as a significant borrower refinanced several multifamily loans with a government-sponsored entity; this exposure reduction is consistent with our overall preference to reduce our total exposure to any given borrower to certain levels. Declines in the balances of construction, development, multifamily and commercial real estate loans also reflect a general investor reticence towards new investments until improvements in occupancies, effective rents and asset valuations become more visible. Commercial loan and lease balances declined principally due to seasonal factors.

Deposit balances declined slightly due to our pricing strategies during the quarter and some seasonal factors relating to commercial line of credit sweep arrangements. We will continue to develop and enhance deposit relationships through our core deposit marketing program, but we expect to temper our competitive position based on our liquidity position and forecast for loan demand.

Non-accrual loans decreased during the quarter, but over half of the decrease was attributable to the transfer to substantially written-down collateral to the REO category. We continue to gradually resolve pending non-performing loan situations and we noted a reduction in new delinquencies during the quarter.

In connection with the changes in non-accrual loan and REO balances, and as a result of the Bank s continued diligence in obtaining updated orderly liquidation collateral valuations on all classified and non-accrual loans, the Bank decreased its specific reserve allowance by $467,000. The Bank s general valuation allowance model required a decrease of $638,000 to the Bank s general allowance for loan and lease losses due principally to the reduction in loan portfolio balances.

Our net interest margin and net interest spread increased modestly, due principally to a relatively constant reserve for uncollected interest and favorable pricing on loans and deposits, offset by a reduction in loan interest income due to our excess liquidity position. Given the volatility in market interest rates, prospective loan and deposit balances and other factors, we believe it is not presently possible to make accurate statements concerning future trends in our net interest margin and net interest spreads.

Our non-interest income decreased due to reduced deposit fee and insurance commission income and higher amortization and impairment expense for residential loan servicing rights. We expect non-interest income to show modest volatility during the remainder of 2010 as customer behavior and market conditions will dictate the relative changes in performance in this category.

Our non-interest expense remained well-contained. The ongoing effects of functional reviews and a continued focus on productivity continue to contribute gradual improvements to our efficiency during the quarter, together with likely temporary reductions in advertising expense and expenses related to REO operations.

Selected Financial Data

The following tables summarize the major components of the changes in our balance sheet at March 31, 2010 and December 31, 2009, and in our income statement for the three-month periods ended March 31, 2010 and March 31, 2009.

	March 31, 2010	December 31, 2009	Change
	(Dollars in thousands)		
Selected Financial Condition Data:			
Total assets	$ 1,558,654	$ 1,566,963	$ (8,309)
Cash and cash equivalents	175,831	108,198	67,633
Securities	94,447	102,126	(7,679)
Loans receivable, net	1,152,385	1,218,540	(66,155)
Deposits	1,231,971	1,233,395	(1,424)
Borrowings	48,092	50,784	(2,692)
Stockholders equity	263,709	263,603	106

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Selected Financial Data (*continued*)

	Three months ended March 31, 2010	2009	Change
	(Dollars in thousands)		
Selected Operating Data:			
Interest income	$ 17,145	$ 18,906	$ (1,761)
Interest expense	3,929	5,736	(1,807)
Net interest income	13,216	13,170	46
Provision for loan losses	851	1,344	(493)
Net interest income after provision for loan losses	12,365	11,826	539
Noninterest income	1,455	1,642	(187)
Noninterest expense	12,678	13,042	(364)
Income before income taxes	1,142	426	716
Income tax expense	426	254	172
Net income	$ 716	$ 172	$ 544

	Three Months Ended March 31, 2010	2009
Performance Ratios:		
Return on assets (ratio of net income to average total assets) (1)	0.18%	0.04%
Return on equity (ratio of net income to average equity) (1)	1.08	0.26
Net interest rate spread (1) (2)	3.48	3.36
Net interest margin (1) (3)	3.73	3.74
Average equity to average assets	16.98	17.36
Efficiency ratio (4)	86.42	88.05
Noninterest expense to average total assets (1)	3.25	3.38
Average interest-earning assets to average interest-bearing liabilities	122.57	123.50

(1) Ratios are annualized.
(2) The net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities for the period.
(3) The net interest margin represents net interest income divided by average total interest-earning assets for the period.
(4) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

	At March 31, 2010	At December 31, 2009
Selected Financial Ratios and Other Data:		
Asset Quality Ratios:		
Nonperforming assets to total assets	3.26%	3.42%
Nonaccrual loans to total loans	3.76	4.01
Allowance for loan losses to nonaccrual loans	39.84	37.63
Allowance for loan losses to total loans	1.50	1.51

Capital Ratios:		
Equity to total assets at end of period	16.92	16.82
Tier 1 leverage ratio (Bank only)	12.67	12.44
Other Data:		
Number of full service offices	18	18
Employees (full-time equivalent basis)	352	372

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Comparison of Financial Condition at March 31, 2010 and December 31, 2009

Total assets decreased $8.3 million, or 0.53%, to $1.559 billion at March 31, 2010, from $1.567 billion at December 31, 2009, primarily due to a $66.2 million, or 5.4%, decrease in net loans receivable to $1.152 billion at March 31, 2010 from $1.219 billion at December 31, 2009, and a $7.7 million, or 7.5%, decrease in securities available for sale to $94.4 million at March 31, 2010 from $102.1 million at December 31, 2009. These decreases were partially offset by a $67.6 million increase in cash and cash equivalents. Cash and cash equivalents totaled $175.8 million at March 31, 2010, compared to $108.2 million at December 31, 2009.

Our loan portfolio consists primarily of investment and business loans (multi-family, nonresidential real estate, commercial, construction and land loans, and commercial leases), which together make up 75.5% of gross loans. Net loans receivable decreased $66.2 million, or 5.4%, to $1.152 billion at March 31, 2010, from $1.219 billion at December 31, 2009. Multi-family real estate loans decreased by $21.0 million, or 6.4%, primarily due to $24.5 million in principal repayments. Commercial loans decreased by $17.6 million, or 20.0%, due in part to reduced loan demand. Commercial leases also decreased by $7.2 million, or 4.1%. Nonresidential real estate loans decreased $8.8 million, or 2.8%, primarily due to principal payments of $12.7 million, which were partially offset by $3.6 million in draws on existing credit commitments. Construction and land loans decreased $6.4 million, or 19.6%, primarily due to the conversion of $4.4 million in completed projects to fully amortizing end loans. One-to-four family residential mortgage loans decreased $6.1 million, or 2.1%, primarily due to refinancings that were not replaced with new originations.

Our allowance for loan losses decreased by $1.1 million, to $17.5 million at March 31, 2010, from $18.6 million at December 31, 2009. The change reflects the combined impact of a $467,000 decrease in the portion of the specific allowance for loan losses that we allocate to impaired loans, a $638,000 decrease in the general portion of the allowance for loan losses, and $2.0 million in net charge-offs. Of the $2.0 million in net charge-offs, $1.4 million related to write-downs of collateral that was transferred to REO, and $657,000 related to write-downs on the final disposition of collateral by sale.

Securities decreased by $7.7 million, or 7.5%, to $94.4 million at March 31, 2010, from $102.1 million at December 31, 2009. The primary reason for the decrease was $7.8 million in principal repayments and maturities of securities.

We owned common stock of the FHLBC with a stated par value of $15.6 million at March 31, 2010 and December 31, 2009. The FHLBC has not declared any dividends on its common stock since the third quarter of 2007 due to the combined effect of the FHLBC s financial condition and a cease and desist order that prohibits the FHLBC from declaring dividends without the prior approval of the Director of the Federal Housing Finance Agency. The cease and desist order imposes a similar prior approval requirement on the FHLBC s repurchase or redemption of common stock from existing and withdrawn members, subject to certain exceptions that are not applicable to the shares of FHLBC common stock that we own. The FHLBC has stated in its public filings that it cannot predict when it will resume paying dividends or repurchasing or redeeming common shares that are subject to the restrictions imposed by the cease and desist order.

Cash and cash equivalents increased $67.6 million, or 62.5%, to $175.8 million at March 31, 2010, from $108.2 million at December 31, 2009.

Deposits decreased $1.4 million, or 0.1%, to $1.232 billion at March 31, 2010, from $1.233 billion at December 31, 2009, primarily due to decreases in interest-bearing NOW and non-interest bearing demand accounts balances. Money market accounts increased $14.0 million, or 4.3% to $336.1 million at March 31, 2010, and certificates of deposit increased $927,000, or 0.23%, to $404.6 million at March 31, 2010, from $403.6 million at December 31, 2009. Interest-bearing NOW accounts decreased $12.3 million, or 4.1% to $290.9 million at March 31, 2010, and non-interest bearing demand accounts decreased $7.0 million, or 6.5%, to $101.3 million at March 31, 2010. Total core deposits (savings, money market, noninterest-bearing demand and interest-bearing NOW accounts) decreased slightly as a percentage of total deposits, representing 67.2% of total deposits at March 31, 2010, compared to 67.3% of total deposits at December 31, 2009. Borrowings decreased $2.7 million, or 5.3%, to $48.1 million at March 31, 2010, from $50.8 million at December 31, 2009, due to our reductions of outstanding FHLBC advances.

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Total stockholders equity was $263.7 million at March 31, 2010, compared to $263.6 million at December 31, 2009. The increase was primarily due to net income of $716,000, a $773,000 increase resulting from the vesting of stock-based compensation and ESOP shares earned, and a $115,000 increase in accumulated other comprehensive income. These increases were partially offset by the declaration and payment of $1.5 million in cash dividends during the first three months of 2010. The unallocated shares of common stock that our ESOP owns were reflected as a $14.9 million reduction to stockholders equity at March 31, 2010, compared to a $15.2 million reduction to stockholders equity at December 31, 2009.

Comparison of Operating Results for the Three Months Ended March 31, 2010 and 2009

Net Income. We had net income of $716,000 for the three months ended March 31, 2010, compared to net income of $172,000 for the three months ended March 31, 2009. Our earnings per share of common stock for the three months ended March 31, 2010 were $0.04 per basic and fully diluted share, respectively, compared to earnings of $0.01 per basic and fully diluted share, respectively, for the three-month period ending March 31, 2009.

Net Interest Income. Net interest income remained stable, totaling $13.2 million for the three months ended March 31, 2010 and 2009. Our net interest rate spread increased by 12 basis points to 3.48% for the three months ended March 31, 2010, from 3.36% for the same period in 2009. Our net interest margin decreased by one basis point to 3.73% for the three months ended March 31, 2010, from 3.74% for the same period in 2009.

Interest income decreased $1.8 million, or 9.3%, to $17.1 million for the three months ended March 31, 2010, from $18.9 million for the three months ended March 31, 2009. The decrease in interest income resulted primarily from a 53 basis point decrease in the average yield on interest earning assets to 4.84% for the three months ended March 31, 2010, from 5.37% for the same period in 2009. This decrease was partially offset by a $10.4 million increase in total average interest-earning assets to $1.437 billion for the three months ended March 31, 2010, from $1.427 billion for the same period in 2009.

Interest income from loans, the most significant portion of interest income, decreased $1.5 million, or 8.6%, to $16.1 million for the three months ended March 31, 2010, from $17.6 million for the same period in 2009. Interest income on loans and the average yield on loans were reduced by a net increase of $1.6 million in the reserve for uncollected interest that we established for loans that were placed on nonaccrual status at March 31, 2010 over those at March 31, 2009. In addition, the average loans receivable decreased $90.8 million, or 7.1%, to $1.194 billion for the three months ended March 31, 2010, from $1.285 billion for the same period in 2009. The average yield on loans decreased nine basis points to 5.45% for the three months ended March 31, 2010, from 5.54% for the same period in 2009.

Interest income from securities decreased by $335,000, or 24.9%, to $1.0 million for the three months ended March 31, 2010, from $1.3 million for the same period in 2009. The decrease in interest income from securities was primarily due to a decrease of $26.5 million, or 21.5%, in the average outstanding balance of securities to $96.8 million for the three months ended March 31, 2010, from $123.3 million for the same period in 2009. The average yield on securities decreased 20 basis points to 4.22% for the three months ended March 31, 2010 from 4.42% for the same period in 2009.

The FHLBC did not pay dividends on its common stock in the first quarter of 2010 or 2009.

Interest expense decreased $1.8 million, or 31.5%, to $3.9 million for the three months ended March 31, 2010, from $5.7 million for the three months ended March 31, 2009. The decrease in interest expense was due in part to a 65 basis point decrease in the cost of our average interest-bearing liabilities to 1.36% for the three months ended March 31, 2010, from 2.01% for the same period in 2009. This decrease was partially offset by a $17.2 million, or 1.5%, increase in the average interest-bearing liabilities to $1.173 billion for the three months ended March 31, 2010, from $1.155 billion for the same period in 2009.

Interest expense on deposits decreased $1.5 million, or 29.3%, to $3.6 million for the three months ended March 31, 2010, from $5.1 million for the three months ended March 31, 2009. The decrease in interest expense on deposits reflected a 75 basis point decrease in the average rate paid on interest-bearing deposits to 1.31% for the three months ended March 31, 2010, from 2.06% for same period in 2009. The decrease in the average rate paid on interest-bearing deposits was partially offset by a $114.1 million, or 11.3%, increase in average interest-bearing deposits to $1.122 billion for the three months ended March 31, 2010, from $1.008 billion for the same period in 2009.

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On a March quarter over quarter basis, the average cost of money market accounts decreased 112 basis points to 1.20%, from 2.32%, the average cost of NOW accounts decreased 33 basis points to 0.65%, from 0.98%, and the average cost of certificates of deposit decreased 94 basis points to 2.08% from 3.02%. The average balances of money market accounts increased $103.6 million, or 45.9%, and the average balance of NOW accounts increased $16.7 million, or 6.1%, to $292.4 million for the three months ended March 31, 2010. These increases were partially offset by a decrease in the average balances of certificates of deposit of $7.7 million, or 1.9%, for the three months ended March 31, 2010.

Interest expense on borrowings decreased $305,000, or 50.4%, to $300,000 for the three months ended March 31, 2010, from $605,000 for the same period in 2009. The decrease was primarily due to a decrease of our average borrowings to $50.2 million for the three months ended March 31, 2010, from $147.1 million for the same period in 2009. The decrease in our average borrowings balance was partially offset by a 75 basis point increase in interest rates paid on borrowings to 2.42% for the three months ended March 31, 2010, from 1.67% for the same period in 2009.

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Average Balance Sheets

The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments were made, as the effect of these adjustments would not be material. Average balances are daily average balances. Nonaccrual loans have been included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include, where applicable, the effect of deferred fees and expenses, discounts and premiums, and purchase accounting adjustments that are amortized or accreted to interest income or expense.

	For the three months ended March 31, 2010			2009		
	Average Outstanding Balance	Interest	Yield/Rate (1)	Average Outstanding Balance	Interest	Yield/Rate (1)
	(Dollars in thousands)					
Interest-earning Assets:						
Loans	$ 1,194,313	$ 16,057	5.45%	$ 1,285,125	$ 17,563	5.54%
Securities	96,778	1,008	4.22	123,278	1,343	4.42
Stock in FHLB	15,598			15,598		
Other	130,547	80	0.25	2,863		
Total interest-earning assets	1,437,236	17,145	4.84	1,426,864	18,906	5.37
Noninterest-earning assets	121,985			117,531		
Total assets	$ 1,559,221			$ 1,544,395		
Interest-bearing Liabilities:						
Savings deposits	$ 97,438	121	0.50	$ 95,938	121	0.51
Money market accounts	329,411	976	1.20	225,840	1,290	2.32
Interest-bearing NOW accounts	292,373	465	0.65	275,647	663	0.98
Certificates of deposit	403,212	2,067	2.08	410,904	3,057	3.02
Total deposits	1,122,434	3,629	1.31	1,008,329	5,131	2.06
Borrowings	50,178	300	2.42	147,068	605	1.67
Total interest-bearing liabilities	1,172,612	3,929	1.36	1,155,397	5,736	2.01
Noninterest-bearing deposits	101,843			103,605		
Noninterest-bearing liabilities	20,027			17,329		
Total liabilities	1,294,482			1,276,331		
Equity	264,739			268,064		
Total liabilities and equity	$ 1,559,221			$ 1,544,395		
Net interest income		$ 13,216			$ 13,170	
Net interest rate spread (2)			3.48%			3.36%
Net interest-earning assets (3)	$ 264,624			$ 271,467		
Net interest margin (4)			3.73%			3.74%

Ratio of interest-earning assets to interest-bearing liabilities	122.57%	123.50%

(1) Annualized.
(2) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(3) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Provision for Loan Losses. We establish provisions for loan losses, which are charged to operations in order to maintain the allowance for loan losses at a level we consider necessary to absorb probable incurred credit losses in the loan portfolio. In determining the level of the allowance for loan losses, we consider past and current loss experience, evaluations of real estate collateral, current economic conditions, volume and type of lending, adverse situations that may affect a borrower s ability to repay a loan and the levels of nonaccrual and other classified loans. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates as more information becomes available or later events change. We assess the allowance for loan losses on a quarterly basis and make provisions for loan losses in order to maintain the allowance.

Based on our evaluation of the above factors, we recorded a provision for loan losses of $851,000 for the three months ended March 31, 2010, compared to a provision for loan losses of $1.3 million for the three months ended March 31, 2009. The provision for loan losses reflects $2.0 million in charge-offs, which were partially offset by a decrease of $467,000 to the specific portion of the allowance for loan losses that we allocate to impaired loans and a $638,000 decrease to the general portion of the allowance for loan and lease losses. Of the $2.0 million in charge-offs, $1.4 million related to write-downs related to the transfer of collateral to REO, and $657,000 related to the final disposition of collateral by sale.

Nonperforming assets are as follows:

	March 31, 2010	December 31, 2009	$ Change
	(Dollars in thousands)		
Nonaccrual loans	$ 43,965	$ 49,489	$ (5,524)
Real estate owned	6,882	4,084	2,798
Nonperforming assets	$ 50,847	$ 53,573	$ (2,726)

Nonaccrual loans decreased $5.5 million, or 11.2%, to $44.0 million at March 31, 2010, from $49.5 million at December 31, 2009. Of this $5.5 million decrease, $3.4 million reflected the book value (net of all applicable write-downs) of collateral transferred to REO, and $2.7 million reflected resolutions of various non-performing loans.

Our allowance for loan losses totaled $17.5 million, or 1.50% of total loans, at March 31, 2010, compared to $18.6 million, or 1.51% of total loans, at December 31, 2009. We used the same general methodology in evaluating the allowance for loan losses at both dates. Our allowance for loan losses represented 39.8% of nonperforming loans at March 31, 2010, and 37.6% of nonperforming loans at December 31, 2009. To the best of our knowledge, we have recorded all losses that are both probable and reasonable to estimate for each reporting period.

Noninterest Income. Our noninterest income decreased $187,000, or 11.4%, to $1.5 million for the three months ended March 31, 2010, from $1.6 million for the same period in 2009. Deposit service charges and fees remained stable at $773,000 for the three months ended March 31, 2010 compared to $794,000 for the same period in 2009. Income from insurance commissions and annuities decreased by $42,000, or 23.7%, to $135,000 for the three months ended March 31, 2010, from $177,000 for the same period in 2009, due to the impact of market and economic conditions on sales. Gains on sales of loans decreased by $209,000 to $47,000 for the three months ended March 31, 2010, from $256,000 for the same period in 2009, due to a decrease in the volume of loan sales. Mortgage servicing rights amortization expense decreased $82,000, or 55.0%, to $67,000 for the three months ended March 31, 2010, from $149,000 for the same period in 2009. We also recorded an additional reserve of $176,000 in the first quarter 2010 on our mortgage servicing rights portfolio due to accelerating prepayment speeds, compared to an additional reserve of $73,000 in the same period in 2009. Earnings on bank-owned life insurance were $79,000 for the three months ended March 31, 2010, compared to a loss of $59,000 for the same period in 2009. Other income decreased $37,000, or 38.1%, to $60,000 for the three months ended March 31, 2010, from $97,000 for the same period in 2009.

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The following table summarizes noninterest income for the three-month periods ended March 31, 2010 and 2009:

	Three months ended March 31, 2010	Three months ended March 31, 2009	Change
	(Dollars in thousands)		
Noninterest income:			
Deposit service charges and fees	$ 773	$ 794	$ (21)
Other fee income	434	428	6
Insurance commissions and annuities income	135	177	(42)
Gain on sale of loans, net	47	256	(209)
Loss on disposition of premises and equipment, net		(4)	4
Loan servicing fees	170	175	(5)
Amortization and impairment of servicing assets	(243)	(222)	(21)
Earnings (loss) on bank owned life insurance	79	(59)	138
Other	60	97	(37)
Total noninterest income	$ 1,455	$ 1,642	$ (187)

Noninterest Expense. Our noninterest expense was $12.7 million for the three months ended March 31, 2010, compared to $13.0 million for the three months ended March 31, 2009, a decrease of $364,000. The primary reason for the decrease in noninterest expense was a $654,000, or 8.3%, decrease in compensation and benefits expense to $7.2 million, from $7.9 million for the same period in 2009. The decrease was due in part to a decrease of 38 full time equivalent employees from 390 at March 31, 2009 to 352 at March 31, 2010, resulting from continued functional staffing reviews. Office occupancy and equipment expense remained stable at $1.8 million for each of the three month periods ended March 31, 2010 and 2009. Information technology expenses decreased $87,000, or 8.6%, to $921,000, from $1.0 million for the same period in 2009. Net operations from REO included $55,000 in write-downs or losses on REO, compared to $212,000 in 2009. These expense reductions were offset in substantial part by an increase in our expense for Federal Deposit Insurance Corporation (FDIC) deposit insurance premiums to $555,000 during the three months ended March 31, 2010, compared to $49,000 during the same period of 2009. The increase in our expense for FDIC deposit insurance premiums was due to the full utilization of our FDIC credits combined with a substantial increase in the FDIC s assessment rate. Other general and administrative expenses increased $193,000, or 21.9%, to $1.1 million, from $881,000 for the same period in 2009. Results for the three months ended March 31, 2009 included the recovery of $151,000 in previously charged off customer deposit losses.

The following table summarizes noninterest expense for the three-month periods ended March 31, 2010 and 2009:

	Three months ended March 31, 2010	Three months ended March 31, 2009	Change
	(Dollars in thousands)		
Noninterest Expense:			
Compensation and benefits	$ 7,211	$ 7,865	$ (654)
Office occupancy and equipment	1,801	1,767	34
Advertising and public relations	216	366	(150)
Information technology	921	1,008	(87)
Supplies, telephone and postage	361	424	(63)
Amortization of intangibles	405	429	(24)
Operations of real estate owned	134	253	(119)
FDIC insurance premiums	555	49	506
Other	1,074	881	193
Total noninterest expense	$ 12,678	$ 13,042	$ (364)

Income Tax Expense. We recorded income tax expense of $426,000 for the three months ended March 31, 2010, compared to $254,000 in income tax expense for the same period in 2009. Our effective tax rate for the three-months ended March 31, 2010 was 37.3%, compared to 59.6% for the same period in 2009.

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Liquidity and Capital Resources

Liquidity. The overall objective of our liquidity management is to ensure the availability of sufficient cash funds to meet all financial commitments and to take advantage of lending and investment opportunities. We manage liquidity in order to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund new loans and investments as opportunities arise.

Our primary sources of funds are deposits, principal and interest payments on loans and securities, and, to a lesser extent, wholesale borrowings, the proceeds from maturing securities and short-term investments, and the proceeds from the sales of loans and securities. The scheduled amortization of loans and securities, as well as proceeds from borrowings, are predictable sources of funds. Other funding sources, however, such as deposit inflows, mortgage prepayments and mortgage loan sales are greatly influenced by market interest rates, economic conditions and competition. The Bank is a member of the FHLBC, which provides an additional source of short-term and long-term funding. Outstanding borrowings from the FHLBC were $38.6 million at March 31, 2010, at a weighted average interest rate of 2.73%. A total of $29.6 million of these borrowings will mature in less than one year. Outstanding FHLBC borrowings were $43.6 million at December 31, 2009.

The liquidity needs of the Company on an unconsolidated basis consist primarily of operating expenses, dividends to stockholders and stock repurchases. The primary source of liquidity for the Company currently is $23.9 million in cash and cash equivalents as of March 31, 2010 and cash dividends from our subsidiary, the Bank.

As of March 31, 2010, we were not aware of any known trends, events or uncertainties that have or are reasonably likely to have a material impact on our liquidity. As of March 31, 2010, we had no other material commitments for capital expenditures.

Capital Resources. Stockholders equity totaled $263.7 million at March 31, 2010, compared to $263.6 million at December 31, 2009. Net income of $716,000 and a $773,000 increase resulting from the vesting of stock-based compensation and ESOP shares earned were partially offset by the declaration and payment of $1.5 million in cash dividends during the first three months of 2010.

Our Board of Directors has authorized the repurchase of up to 5,047,423 shares of our common stock. The authorization permits shares to be repurchased in open market or negotiated transactions, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. The authorization may be utilized at management s discretion, subject to the limitations set forth in Rule 10b-18 of the Securities and Exchange Commission and other applicable legal requirements, and to price and other internal limitations established by the Board of Directors. The repurchase authorization will expire on May 17, 2010, unless extended by the Board of Directors. As of March 31, 2010, the Company had repurchased 3,882,723 shares of its common stock out of the 5,047,423 shares that have been authorized for repurchase. For additional information, see Part II Item 2(c), Unregistered Sales of Equity Securities and Use of Proceeds, Repurchases of Equity Securities.

At March 31, 2010, the regulatory capital ratios and minimum required regulatory ratios for the Bank were:

	Actual Ratio	Minimum Required for Capital Adequacy Purposes	Minimum Required to Be Well Capitalized Under Prompt Corrective Action Provisions
March 31, 2010			
Total capital (to risk-weighted assets)	17.41%	8.00%	10.00%
Tier 1 (core) capital (to risk-weighted assets)	16.32	4.00	6.00
Tier 1 (core) capital (to adjusted total assets)	12.67	4.00	5.00
December 31, 2009			
Total capital (to risk-weighted assets)	16.40%	8.00%	10.00%
Tier 1 (core) capital (to risk-weighted assets)	15.31	4.00	6.00
Tier 1 (core) capital (to adjusted total assets)	12.44	4.00	5.00

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As of March 31, 2010 and December 31, 2009, the Office of Thrift Supervision categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since those notifications that management believes have changed the institution s category.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Qualitative Analysis. We believe that our most significant form of market risk is interest rate risk. Interest rate risk results from timing differences in the maturity or repricing of our assets, liabilities and off balance sheet contracts (*i.e.,* forward loan commitments), the effect of loan prepayments and deposit withdrawals, the difference in the behavior of lending and funding rates arising from the use of different indices and yield curve risk arising from changing rate relationships across the spectrum of maturities for constant or variable credit risk investments. In addition to directly affecting net interest income, changes in market interest rates can also affect the amount of new loan originations, the ability of borrowers to repay variable rate loans, the volume of loan prepayments and refinancings, the carrying value of investment securities classified as available-for-sale and the flow and mix of deposits.

The general objective of our interest rate risk management is to determine the appropriate level of risk given our business strategy and then manage that risk in a manner that is consistent with our policy to reduce, to the extent possible, the exposure of our net interest income to changes in market interest rates. Our Asset/Liability Management Committee (ALCO), which consists of certain members of senior management, evaluates the interest rate risk inherent in certain assets and liabilities, our operating environment and capital and liquidity requirements, and modifies our lending, investing and deposit gathering strategies accordingly. The Board of Directors Asset/Liability Management Committee then reviews the ALCO s activities and strategies, the effect of those strategies on our net interest margin, and the effect that changes in market interest rates would have on the economic value of our loan and securities portfolios as well as the intrinsic value of our deposits and borrowings, and reports to the full Board of Directors.

We actively evaluate interest rate risk in connection with our lending, investing and deposit activities. In an effort to better manage interest-rate risk, we have de-emphasized the origination of residential mortgage loans for our loan portfolio, and have increased our emphasis on the origination of nonresidential real estate loans, multifamily mortgage loans, commercial loans and commercial leases. In addition, depending on market interest rates and our capital and liquidity position, we generally sell all or a portion of our longer-term, fixed-rate residential loans, usually on a servicing-retained basis. Further, we primarily invest in shorter-duration securities, which generally have lower yields compared to longer-term investments. Shortening the average maturity of our interest-earning assets by increasing our investments in shorter-term loans and securities, as well as loans with variable rates of interest, helps to better match the maturities and interest rates of our assets and liabilities, thereby reducing the exposure of our net interest income to changes in market interest rates. Finally, we have classified all of our investment portfolio as available-for-sale so as to provide flexibility in liquidity management.

We utilize a combination of analyses to monitor the Bank s exposure to changes in interest rates. The economic value of equity analysis is a model that estimates the change in net portfolio value (NPV) over a range of interest rate scenarios. NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts. In calculating changes in NPV, we assume estimated loan prepayment rates, reinvestment rates and deposit decay rates that seem most likely based on historical experience during prior interest rate changes.

Our net interest income analysis utilizes the data derived from the dynamic GAP analysis, described below, and applies several additional elements, including actual interest rate indices and margins, contractual limitations such as interest rate floors and caps and the US Treasury yield curve as of the balance sheet date. In addition, we apply consistent parallel yield curve shifts (in both directions) to determine possible changes in net interest income if the theoretical yield curve shifts occurred instantaneously. Net interest income analysis also adjusts the dynamic GAP repricing analysis based on changes in prepayment rates resulting from the parallel yield curve shifts.

Our dynamic GAP analysis determines the relative balance between the repricing of assets and liabilities over multiple periods of time (ranging from overnight to five years). Dynamic GAP analysis includes expected cash flows from loans and mortgage-backed securities, applying prepayment rates based on the differential between the current interest rate and the market interest rate for each loan and security type. This analysis identifies mismatches in the timing of asset and liability repricing but does not necessarily provide an accurate indicator of interest rate risk because it omits the factors incorporated into the net interest income analysis.

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Quantitative Analysis. The following table sets forth, as of March 31, 2010, the estimated changes in the Bank s NPV and net interest income that would result from the designated instantaneous parallel shift in the US Treasury yield curve. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

Change in Interest Rates (basis points)	Estimated Increase in NPV		Decrease in Estimated Net Interest Income	
	Amount (dollars in thousands)	Percent	Amount (dollars in thousands)	Percent
+400	$ 13,759	5.56%	$ (2,011)	(3.85)%
+300	10,280	4.16	(1,473)	(2.82)
+200	7,247	2.93	(1,045)	(2.00)
+100	2,921	1.18	(672)	(1.29)
0				

The Company has opted not to include an estimate for a decrease in rates at March 31, 2010 because the results are not relevant given the current targeted Fed Funds Rate set by the Federal Open Market Committee. The table set forth above indicates that at March 31, 2010, in the event of an immediate 200 basis point increase in interest rates, the Bank would be expected to experience a 2.93% increase in NPV and a $1.0 million decrease in net interest income. This data does not reflect any actions that we may undertake in response to changes in interest rates, such as changes in rates paid on certain deposit accounts based on local competitive factors, which could reduce the actual impact on NPV and net interest income, if any.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in NPV and net interest income requires that we make certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The NPV and net interest income table presented above assumes that the composition of our interest-rate sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and, accordingly, the data does not reflect any actions that we may undertake in response to changes in interest rates, such as changes in rates paid on certain deposit accounts based on local competitive factors. The table also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or the repricing characteristics of specific assets and liabilities. Accordingly, although the NPV and net interest income table provides an indication of our sensitivity to interest rate changes at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

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ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company s management, including the Chairman, Chief Executive Officer and President and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of March 31, 2010. Based on that evaluation, the Company s management, including the Chairman, President, and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, concluded that the Company s disclosure controls and procedures were effective.

During the quarter ended March 31, 2010, there have been no changes in the Company s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

The Company and its subsidiaries are subject to various legal actions that are considered ordinary routine litigation incidental to the business of the Company, and no claim for money damages exceeds ten percent of the Company s consolidated assets. In the opinion of management, based on currently available information, the resolution of these legal actions is not expected to have a material adverse effect on the Company s results of operations.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) **Unregistered Sale of Equity Securities**

Not applicable

(b) **Use of Proceeds**

Not applicable

(c) **Repurchases of Equity Securities**

Our Board of Directors has authorized the repurchase of up to 5,047,423 shares of our common stock. In accordance with this authorization, we had repurchased 3,882,723 shares of our common stock as of March 31, 2010. There were no share repurchases conducted in the first quarter of 2010. The current share repurchase authorization will expire on May 17, 2010, unless extended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. [RESERVED]

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The exhibits required by Item 601 of Regulation S-K are included with this Form 10-Q and are listed on the Index to Exhibits immediately following the Signatures.

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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 thereunto duly authorized.

BANKFINANCIAL CORPORATION

(Registrant)

Date: April 26, 2010

/s/ F. MORGAN GASIOR
F. Morgan Gasior
Chairman of the Board, Chief Executive Officer and President

/s/ PAUL A. CLOUTIER
Paul A. Cloutier
Executive Vice President and Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit Number	Description
31.1	Certification of F. Morgan Gasior, Chairman of the Board, Chief Executive Officer and President, Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
31.2	Certification of Paul A. Cloutier, Executive Vice President and Chief Financial Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
32.1	Certification of F. Morgan Gasior, Chairman of the Board, Chief Executive Officer and President, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Paul A. Cloutier, Executive Vice President and Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.