

BankFinancial CORP  
Form DEF 14A  
May 23, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**  
**EXCHANGE ACT OF 1934**

(AMENDMENT NO.   )

Filed by the Registrant

Filed by a Party other than the Registrant

**Check the appropriate box:**

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**BANKFINANCIAL CORPORATION**

(Exact Name of Registrant as Specified in Charter)

(NAME OF PERSON(S) FILING PROXY STATEMENT, IF OTHER THAN THE REGISTRANT)

## Edgar Filing: BankFinancial CORP - Form DEF 14A

Payment of Filing Fee (Check the appropriate box)

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

## Edgar Filing: BankFinancial CORP - Form DEF 14A

- .. Fee paid previously with preliminary materials.
  
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

May 23, 2012

Dear Fellow Stockholder:

On behalf of the Board of Directors of BankFinancial Corporation (the Company), I cordially invite you to attend our 2012 Annual Meeting of Stockholders. The meeting will be held at the Holiday Inn Chicago-Willowbrook-Hinsdale, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, on Tuesday, June 26, 2012, at 11:00 A.M., Chicago, Illinois Time.

At the Annual Meeting, our stockholders will vote on the election of three directors, the ratification of the engagement of Crowe Horwath LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2012, and an advisory, non-binding resolution to approve our executive compensation.

The Board of Directors, acting on the recommendations of the Corporate Governance and Nominating Committee, has nominated incumbents Cassandra J. Francis and Terry R. Wells and a new nominee, Thomas F. O'Neill, to serve as directors of the Company for three-year terms.

The Board of Directors recommends that you vote your shares as follows: **FOR** the election of our three director nominees; **FOR** the ratification of the appointment of Crowe Horwath LLP as our independent auditors for the fiscal year ending December 31, 2012; and, **FOR** the approval on an advisory, non-binding basis of our executive compensation.

We are enclosing a Proxy Statement and our 2011 Annual Report for your review and consideration, as well as a proxy card for your use in voting your shares of the Company's common stock.

Whether or not you plan to attend the Annual Meeting, please read the Proxy Statement, and then complete, sign and date the proxy card and return it to us in the enclosed postage-paid envelope as promptly as possible. As an alternative, you may authorize the voting of your shares by proxy by following the Internet or telephone proxy authorization instructions appearing on the proxy card.

By voting your shares promptly, you will help us reduce the time and expense of soliciting proxies, and you will also ensure that your shares are represented at the Annual Meeting.

Thank you in advance for your attention to this important matter. We are most appreciative of your continued interest and support as stockholders of the Company and as valued customers of BankFinancial, F.S.B.

Very truly yours,

F. Morgan Gasior

Chairman and Chief Executive Officer

**Table of Contents**

**BANKFINANCIAL CORPORATION**

**15W060 North Frontage Road**

**Burr Ridge, Illinois 60527**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On June 26, 2012**

To the Stockholders of BankFinancial Corporation:

Notice is hereby given that the Annual Meeting of Stockholders (the Annual Meeting ) of BankFinancial Corporation, a Maryland corporation, will be held at the Holiday Inn Chicago-Willowbrook-Hinsdale, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, on Tuesday, June 26, 2012, at 11:00 A.M., Chicago, Illinois Time, and any adjournments or postponements thereof.

The purpose of the Annual Meeting is to consider and act upon the following, as described more fully in the accompanying Proxy Statement:

1. To elect three directors for a three-year term and until their successors are elected and qualify;
2. To ratify the engagement of Crowe Horwath LLP as the independent registered public accounting firm of BankFinancial Corporation for the year ending December 31, 2012;
3. To consider an advisory, non-binding resolution to approve our executive compensation; and
4. To transact such other business as may properly come before the Annual Meeting, or any adjournments or postponements thereof; the Board of Directors and management are not aware of any such other business.

Accompanying this Notice of Annual Meeting are a Proxy Statement, our 2011 Annual Report, and a proxy card for your use in authorizing the voting of your shares of BankFinancial Corporation common stock by proxy.

The Board of Directors has fixed the close of business on May 17, 2012 as the voting record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. Only those stockholders of record as of the close of business on that date will be entitled to vote at the Annual Meeting or any such adjournments or postponements. In the event that there are not sufficient votes to establish a quorum or to approve the foregoing proposals at the Annual Meeting, the meeting may be adjourned or postponed in order to permit the further solicitation of proxies. Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified above, or on the date or dates to which the Annual Meeting may be adjourned or postponed.

By Order of the Board of Directors

James J. Brennan

Secretary

Burr Ridge, Illinois

May 23, 2012

**YOUR VOTE IS IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES THAT YOU OWN. PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY CARD IN THE ENCLOSED ENVELOPE. NO POSTAGE IS NECESSARY IF MAILED IN THE UNITED STATES. ALTERNATIVELY, YOU MAY AUTHORIZE THE VOTING OF YOUR SHARES BY PROXY BY FOLLOWING THE INTERNET OR TELEPHONE PROXY AUTHORIZATION INSTRUCTIONS APPEARING ON THE PROXY CARD. YOUR PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED BY TAKING THE ACTIONS DESCRIBED IN THE ACCOMPANYING PROXY STATEMENT.**

**Table of Contents**

**2012 PROXY STATEMENT**

**TABLE OF CONTENTS**

|  |           |
|--|-----------|
| <b><u>THE COMPANY</u></b>  | <b>1</b>  |
| <b><u>VOTING AND RELATED MATTERS</u></b>   | <b>2</b>  |
| <b><u>ELECTION OF DIRECTORS; INFORMATION WITH RESPECT TO DIRECTORS AND EXECUTIVE OFFICERS</u></b>  | <b>7</b>  |
| <u>Nominees</u>  | 8         |
| <u>Continuing Directors</u>  | 9         |
| <u>Director Independence</u>   | 10        |
| <u>Executive Officers Who Are Not Directors</u>  | 10        |
| <b><u>BENEFICIAL OWNERSHIP OF COMMON STOCK BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>     | <b>12</b> |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u>                                     | 13        |
| <b><u>CODE OF ETHICS</u></b>   | <b>13</b> |
| <b><u>BOARD LEADERSHIP STRUCTURE AND BOARD'S ROLE IN RISK OVERSIGHT</u></b>                        | <b>14</b> |
| <b><u>BOARD COMMITTEE REPORTS, POLICIES AND PROCEDURES</u></b>                                     | <b>15</b> |
| <u>Meetings and Committees of the Board of Directors</u>   | 15        |
| <b><u>AUDIT COMMITTEE REPORT</u></b>   | <b>17</b> |
| <b><u>RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b> | <b>18</b> |
| <u>Accounting Fees and Services</u>  | 18        |
| <u>Audit Committee Pre-Approval Policy</u>   | 18        |
| <b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>   | <b>19</b> |
| <u>Introduction</u>  | 19        |
| <u>Role of the Human Resources Committee of the Board of Directors</u>                             | 19        |
| <u>Compensation Philosophy and Objectives</u>  | 19        |
| <u>Compensation Committee Interlocks and Insider Participation</u>                                 | 20        |
| <u>Compensation Principles and Factors</u>   | 20        |
| <u>Components of Executive Compensation</u>  | 21        |
| <u>Conclusions for Year Ended December 31, 2011</u>  | 24        |
| <u>Reasonableness of Compensation</u>  | 26        |
| <u>Tax and Accounting Treatment</u>  | 26        |
| <b><u>HUMAN RESOURCES COMMITTEE REPORT</u></b>   | <b>27</b> |
| <b><u>EXECUTIVE COMPENSATION</u></b>   | <b>28</b> |
| <u>Summary Compensation Table</u>  | 28        |
| <u>Plan-Based Awards</u>   | 29        |
| <u>Outstanding Equity Awards at Fiscal Year-End</u>  | 30        |
| <u>Option Exercises and Stock Vested During 2011</u>   | 30        |
| <u>Potential Payments upon Termination or Change of Control</u>                                    | 31        |
| <u>Compensation of Directors</u>   | 35        |
| <u>Attendance at Annual Meetings of Stockholders</u>   | 36        |
| <b><u>ADVISORY VOTE</u></b>  | <b>37</b> |
| <b><u>COMMUNICATIONS WITH THE BOARD OF DIRECTORS</u></b>   | <b>38</b> |
| <u>Transactions with Certain Related Persons</u>   | 38        |
| <b><u>STOCKHOLDER PROPOSALS</u></b>  | <b>38</b> |
| <b><u>ADVANCE NOTICE OF BUSINESS TO BE CONDUCTED AT AN ANNUAL MEETING</u></b>                      | <b>39</b> |
| <b><u>OTHER MATTERS</u></b>  | <b>40</b> |
| <b><u>MISCELLANEOUS</u></b>  | <b>40</b> |

**Table of Contents**

**PROXY STATEMENT**

**BankFinancial Corporation**

**15W060 North Frontage Road**

**Burr Ridge, Illinois 60527**

**ANNUAL MEETING OF STOCKHOLDERS**

**June 26, 2012**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of BankFinancial Corporation of proxies to be voted at the Annual Meeting of Stockholders (the Annual Meeting ) that will be held at the Holiday Inn Chicago-Willowbrook-Hinsdale, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, on Tuesday, June 26, 2012, at 11:00 A.M., Chicago, Illinois Time, and any adjournments or postponements thereof.

This Proxy Statement and the accompanying Notice of Annual Meeting and proxy card are first being mailed to the stockholders of BankFinancial Corporation on or about May 23, 2012. Whether or not you plan to attend the Annual Meeting, please read this Proxy Statement, and then complete, date and sign your proxy card and return it to us in the accompanying envelope as promptly as possible. No postage is necessary if you mail it in the United States. You may also authorize the voting of your shares by proxy by following the Internet or telephone proxy authorization instructions appearing on the proxy card.

An Annual Report for the year ended December 31, 2011, which contains audited consolidated financial statements and other information pertaining to BankFinancial Corporation, accompanies this Proxy Statement.

**THE COMPANY**

BankFinancial Corporation, a Maryland corporation headquartered in Burr Ridge, Illinois, became the owner of all of the issued and outstanding capital stock of BankFinancial, F.S.B. (the Bank ) on June 23, 2005, when it consummated a plan of conversion and reorganization that the Bank and its predecessor holding companies, BankFinancial MHC, Inc. ( BankFinancial MHC ) and BankFinancial Corporation, a federal corporation, adopted on August 25, 2004. BankFinancial Corporation, the Maryland corporation, was organized in 2004 to facilitate the mutual-to-stock conversion, and to become the holding company for the Bank upon the completion of the mutual-to-stock conversion.

BankFinancial Corporation, the Maryland corporation, did not engage in any business prior to, and the separate corporate existences of BankFinancial MHC and BankFinancial Corporation, the federal corporation, ceased upon the completion of the mutual-to-stock conversion on June 23, 2005. Consequently, the words Company, we and our, as used in this Proxy Statement, are intended to refer to BankFinancial MHC, BankFinancial Corporation, the federal corporation, and their subsidiaries with respect to matters and time periods occurring on or before June 23, 2005, and to BankFinancial Corporation, the Maryland corporation, and its subsidiaries with respect to matters and time periods occurring after that date.



## **Table of Contents**

### **VOTING AND RELATED MATTERS**

The following is information regarding the Annual Meeting and the voting process.

#### **Why am I receiving this Proxy Statement and proxy card?**

You are receiving this Proxy Statement and a proxy card from us because at the close of business on May 17, 2012, the record date for the Annual Meeting, you owned shares of our common stock, par value \$0.01, either directly or through a broker. This Proxy Statement describes the matters that will be presented for consideration by our stockholders at the Annual Meeting. It also gives you information concerning the matters to be considered at the Annual Meeting to assist you in making an informed decision.

When you sign the enclosed proxy card, you appoint the proxy holder as your representative at the Annual Meeting. The proxy holder will vote your shares as you have instructed in the proxy card, thereby ensuring that your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the Annual Meeting, you should complete, sign and return your proxy card in advance of the Annual Meeting in case your plans change.

If you have signed and returned the proxy card and an issue comes up for a vote at the Annual Meeting that is not identified on the proxy card, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her discretion.

#### **What matters will be voted on at the Annual Meeting?**

You are being asked to vote on the election of our three director nominees; the ratification of the engagement of Crowe Horwath LLP ( Crowe Horwath ) as our independent registered public accounting firm for the year ending December 31, 2012; and an advisory, non-binding resolution to approve our executive compensation. These matters are more fully described in this Proxy Statement.

#### **How do I vote?**

You may use the mail, the telephone or the Internet to authorize the voting of your shares by proxy, or you may vote your shares in person at the Annual Meeting.

To use the mail to authorize the voting of your shares by proxy, please complete and sign the enclosed proxy card and mail it back to us in the enclosed pre-addressed envelope. No postage is required if the envelope is mailed in the United States.

To use the telephone or the Internet to authorize the voting of your shares by proxy, please follow the instructions appearing on your proxy card.

To vote in person, you must come to the Annual Meeting. We will distribute written ballots to any stockholder as of the record date who wants to vote at the Annual Meeting. Please note, however, that if your shares are held in the name of your broker (or in what is usually referred to as street name ), you will need to arrange to obtain a proxy from your broker in order to vote in person at the Annual Meeting.

If you mark your proxy card to indicate how you want your shares voted, and you sign and return your proxy card in the manner provided in this Proxy Statement, your shares will be voted as you instruct. If you sign and return your proxy card, but do not mark the proxy card to provide voting instructions, the shares represented by your proxy card will be voted **FOR** all of the director nominees named in this Proxy Statement, **FOR** the ratification of the engagement of Crowe Horwath, and **FOR** the approval of our executive compensation.

#### **What does it mean if I receive more than one proxy card?**

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with stockbrokers. Please sign and return ALL proxy cards to ensure that all your shares are voted.

## **Table of Contents**

### **If I hold shares in the name of a broker, who votes my shares?**

If you received this Proxy Statement from your broker, your broker should have given you instructions for directing how your broker should vote your shares. It will then be your broker's responsibility to vote your shares for you in the manner you direct.

Under the rules of various national and regional securities exchanges, brokers may generally vote on routine matters, such as the ratification of an independent registered public accounting firm, but cannot vote on non-routine matters such as the election of directors and advisory, non-binding votes on executive compensation unless they have received voting instructions from the person for whom they are holding shares. If your broker does not receive instructions from you on how to vote particular shares on matters on which your broker does not have discretionary authority to vote, your broker will return the proxy card to us, indicating that he or she does not have the authority to vote on these matters. This is generally referred to as a broker non-vote. At the Annual Meeting, broker non-votes will not affect the outcome of the voting, as described below under "How many votes are needed for each proposal?" Therefore, we encourage you to provide directions to your broker as to how you want your shares voted on the matters to be brought before the Annual Meeting. You should do this by carefully following the instructions your broker gives you concerning its procedures so that your shares will be voted at the Annual Meeting.

### **What if I change my mind after I return my proxy card?**

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the Annual Meeting. You may do this by:

signing another proxy card with a later date and returning the new proxy card by mail to our stock transfer agent and registrar, Computershare Trust Company, N.A., or by sending it to us to the attention of the Secretary of the Company, provided that the new proxy card is actually received by the Secretary before the polls close;

sending notice addressed to the attention of the Secretary of the Company that you are revoking your proxy, provided that the notice is actually received by the Secretary before the polls close;

following the instructions for telephone or Internet voting appearing on your proxy card; or

voting in person at the Annual Meeting in accordance with the established voting rules and procedures.

If you hold your shares in the name of a broker and desire to revoke your proxy, you will need to contact your broker to revoke your proxy.

Please mail any new proxy cards to Proxy Services, in care of Computershare Trust Company, N.A., at P.O. Box 43101, Providence, Rhode Island 02940-5067. You may send the notice described above or new proxy card to us as follows: BankFinancial Corporation, 15W060 North Frontage Road, Burr Ridge, Illinois 60527, Attention: James J. Brennan, Secretary.

### **How many votes do we need to hold the Annual Meeting?**

A majority of the shares that are outstanding and entitled to vote as of the record date must be present in person or by proxy at the Annual Meeting in order for us to hold the Annual Meeting and conduct business. Abstentions and broker non-votes are considered present at the Annual Meeting and are counted in determining whether or not a quorum is present.

Shares are counted as present at the Annual Meeting if the stockholder either:

is present and votes in person at the Annual Meeting; or

Edgar Filing: BankFinancial CORP - Form DEF 14A

has properly submitted a signed proxy form or other proxy.

---

## **Table of Contents**

At the close of business on May 17, 2012, the record date, there were 21,072,966 shares of our common stock, par value \$0.01, issued and outstanding. Therefore, at least 10,536,484 shares need to be present at the Annual Meeting in person or by proxy in order for us to hold the Annual Meeting and conduct business.

### **What happens if a nominee is unable to stand for election?**

The Board of Directors may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for the substitute nominee designated by the Board of Directors. Proxies cannot be voted for more than three nominees. We have no reason to believe that any nominee will be unable to stand for election.

### **What options do I have in voting on each of the proposals?**

**Election of Directors (Proposal 1).** You may mark the **FOR** box on your proxy card to vote for all director nominees, mark the **FOR ALL EXCEPT** box on your proxy card to vote for all nominees other than any nominee that you specify on your proxy card, or mark the **WITHHOLD** box to withhold your vote for all director nominees.

**Ratification of Independent Registered Public Accounting Firm (Proposal 2).** You may mark either the **FOR**, **AGAINST**, or **ABSTAIN** box with respect to the ratification engagement of Crowe Horwath.

**Advisory, Non-Binding Vote on Executive Compensation (Say-On-Pay) (Proposal 3).** You may cast your advisory, non-binding vote **FOR**, **AGAINST** or **ABSTAIN** on the compensation of the Company's named executive officers. While this vote is required by law, it will neither be binding on the Company or its Board of Directors, nor will it create or imply any change in the fiduciary duties of or impose any additional fiduciary duties on the Company or its Board of Directors.

**Where no instructions are indicated, validly executed proxies will be voted **FOR** the election of the three director nominees, **FOR** the ratification engagement of Crowe Horwath, and **FOR** the approval of the compensation of the Company's named executive officers.**

### **How many votes may I cast?**

Generally, you are entitled to cast one vote for each share of stock you owned on the record date. The proxy card included with this Proxy Statement indicates the number of shares owned by an account attributable to you.

### **Are there any limits on the voting of shares?**

As provided in Section F of Article 6 of our Charter, record holders of common stock that is beneficially owned by a person who beneficially owns in excess of 10% of the outstanding shares of our common stock are not entitled to vote any shares held in excess of this 10% limit. Subject to certain exceptions, a person is deemed to beneficially own shares owned by an affiliate of, as well as by persons acting in concert with, such person. Our Board of Directors is authorized to construe and apply the provisions of Section F of Article 6 of the Charter, and to make all determinations it deems necessary or desirable to implement them, including determining the number of shares beneficially owned by any person and whether a person is an affiliate of or has an arrangement or agreement with another person. Further, the Board of Directors is authorized to demand certain information from any person who is reasonably believed to beneficially own stock in excess of the 10% limit and reimbursement for all expenses incurred by us in connection with an investigation conducted by the Board of Directors pursuant to the provisions of Section F of Article 6 of the Charter.

### **How many votes are needed for each proposal?**

The three individuals receiving the highest number of votes cast **FOR** their election will be elected as our directors, without regard to shares as to which the **ABSTAIN** box has been selected on the proxy card.

## **Table of Contents**

The ratification of the engagement of Crowe Horwath as our independent registered public accounting firm for the year ending December 31, 2012 will require the affirmative vote of a majority of the votes cast at the Annual Meeting, in person or by proxy, without regard to either broker non-votes or shares as to which the **ABSTAIN** box has been selected on the proxy card.

The approval of the advisory, non-binding vote on executive compensation will require the affirmative vote of a majority of the votes cast at the Annual Meeting, without regard to either broker non-votes or shares as to which the **ABSTAIN** box has been selected on the proxy card.

Shares represented by broker non-votes and abstentions are considered present at the Annual Meeting for the purposes of determining whether or not a quorum is present, but such shares are not considered votes cast and will have no effect on the outcome of the election of directors, the ratification of the engagement of Crowe Horwath, and the advisory, non-binding resolution to approve our executive compensation.

### **Where do I find the voting results of the Annual Meeting?**

We intend to announce voting results at the Annual Meeting or at any postponements or adjournments thereof. The voting results will also be disclosed in a Current Report on Form 8-K that we will file with the Securities and Exchange Commission ( **SEC** ).

### **Who bears the cost of soliciting proxies?**

The Company will pay all costs of soliciting proxies. The Company has retained Phoenix Advisory Partners to assist with the solicitation of proxies for a fee of \$7,500, plus reimbursable out-of-pocket expenses and telephone solicitation fees. In addition, we may also use our officers and employees to solicit proxies either personally, or by telephone, e-mail, the Internet, letter or facsimile. These persons will not receive any special or additional compensation for soliciting proxies. We may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

### **How does the Board recommend that I vote?**

The Board of Directors recommends that you vote **FOR** the election of the three director nominees, **FOR** the ratification engagement of Crowe Horwath, and **FOR** the approval of the compensation of the Company's named executive officers.

### **What are the directions to the Annual Meeting location?**

The Annual Meeting will be held at the Holiday Inn Chicago-Willowbrook-Hinsdale, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, on Tuesday, June 26, 2012, at 11:00 A.M., Chicago, Illinois Time. The directions to the Annual Meeting are:

From the north (O'Hare Airport), take I-294 south to I-55, take I-55 south to the north Kingery Highway (Route 83) exit, go north on Kingery Highway for approximately 1/4 mile to the first traffic light (Midway Drive), turn right (east) on Midway Drive and then make an immediate right turn (south) onto Frontage Road. The hotel will be on your left (east).

From the south, take I-294 north to I-55, take I-55 south to the north Kingery Highway (Route 83) exit, go north on Kingery Highway for approximately 1/4 mile to the first traffic light (Midway Drive), turn right (east) on Midway Drive and then make an immediate right turn (south) onto Frontage Road. The hotel will be on your left (east).

**Table of Contents**

From the east (Downtown Chicago), take I-55 south to the north Kingery Highway (Route 83) exit, go north on Kingery Highway for approximately 1/4 mile to the first traffic light (Midway Drive), turn right (east) on Midway Drive and then make an immediate right turn (south) onto Frontage Road. The hotel will be on your left (east).

From Midway Airport, take Cicero Avenue north three miles to I-55 south, take I-55 south to the north Kingery Highway (Route 83) exit, go north on Kingery Highway for approximately 1/4 mile to the first traffic light (Midway Drive), turn right (east) on Midway Drive and then make an immediate right turn (south) onto Frontage Road. The hotel will be on your left (east).

From the west, take I-55 north to the north Kingery Highway (Route 83) exit, go north on Kingery Highway for approximately 1/4 mile to the first traffic light (Midway Drive), turn right (east) on Midway Drive and then make an immediate right turn (south) onto Frontage Road. The hotel will be on your left (east).

**Important Notice Regarding the Availability of Proxy Materials for the 2012 Annual Meeting**

The SEC has adopted e-proxy rules that require companies to post their proxy materials on the Internet and permit them to provide only a Notice of Internet Availability of Proxy Materials to stockholders. For this year's Annual Meeting Proxy Statement, we have chosen to follow the SEC's full set delivery option, and therefore, although we are posting a full set of our proxy materials on the Internet, we are also mailing a full set of our proxy materials to our stockholders.

**Our Proxy Statement for the 2012 Annual Meeting and our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and the accompanying form of proxy are available online at [www.RRDEZProxy.com/2012/BankFinancial](http://www.RRDEZProxy.com/2012/BankFinancial).**

We are mailing on or about May 23, 2012 a full set of our printed proxy materials to stockholders of record as of May 17, 2012. On May 23, 2012, all stockholders of record and beneficial owners will have the ability to access all of the proxy materials on the website referenced above. These proxy materials will be available free of charge.

If you have any questions or need assistance in submitting your proxy, voting your shares or need additional copies of this Proxy Statement or the enclosed proxy card, please contact our proxy solicitor, Phoenix Advisory Partners, toll-free, at (877) 478-5038.

**Table of Contents****ELECTION OF DIRECTORS; INFORMATION WITH RESPECT TO DIRECTORS AND EXECUTIVE OFFICERS**

The Charter of the Company fixes the initial number of directors at seven and provides that the Board of Directors shall be divided into three classes. The Bylaws of the Company establish the initial terms of office for each class of directors and provide that directors are elected for a term of office that will expire at the third succeeding Annual Meeting of Stockholders following their election, with each director to hold office until his or her successor is duly elected and qualifies.

At the Annual Meeting, the stockholders of the Company will be requested to elect one class of directors consisting of three directors. The Corporate Governance and Nominating Committee of the Board of Directors has recommended, and the Board of Directors has nominated, Cassandra J. Francis, Terry R. Wells, and Thomas F. O'Neill for election as directors in this class of directors for a term of office that will expire at the Annual Meeting of Stockholders in 2015 and until their successors are duly elected and qualify. Ms. Francis and Mr. Wells are currently directors of the Company. Mr. O'Neill was recommended to the Corporate Governance and Nominating Committee by the Chief Executive Officer based on Mr. O'Neill's qualifications for the position, including his expertise and experience in investment banking, asset liability management, investment management, mergers and acquisitions, asset purchases and dispositions and corporate finance.

The proxies solicited on behalf of the Board of Directors will be voted at the Annual Meeting FOR the election of the above three nominees as directors, provided that your proxy will not be voted in favor of any nominee for which your proxy vote has been withheld. If a nominee is unable or unwilling to stand for election at the time of the Annual Meeting, the shares represented by all such proxies will be voted for the election of such replacement nominee as the Board of Directors, acting on the recommendation of the Corporate Governance and Nominating Committee, may designate. At this time, the Board of Directors knows of no reason why any of the nominees might be unable or unwilling to stand for election as a director, or to serve as a director if elected.

The table below sets forth certain information regarding the members of the Board of Directors, including their years of service and terms of office. Except as indicated elsewhere in this Proxy Statement, there are no arrangements or understandings between any of the directors or nominees and any other person pursuant to which such directors or nominees were selected.

| <b>Name</b>                        | <b>Position(s) Held<br/>in the Company</b>                      | <b>Director<br/>Since <sup>(1)</sup></b> | <b>Term of Class<br/>to Expire</b> |
|------------------------------------|---|--|------------------------------------|
| <b><u>NOMINEES</u></b>             |   |  |                                    |
| Cassandra J. Francis               | Director  | 2006                                     | 2012                               |
| Thomas F. O'Neill                  | None  |  |                                    |
| Terry R. Wells                     | Director  | 1994                                     | 2012                               |
| <b><u>CONTINUING DIRECTORS</u></b> |   |  |                                    |
| John M. Hausmann, C.P.A.           | Director  | 1990                                     | 2013                               |
| Glen R. Wherfel, C.P.A.            | Director  | 2001                                     | 2013                               |
| F. Morgan Gasior                   | Chairman of the Board, Chief Executive<br>Officer and President | 1983                                     | 2014                               |
| Joseph A. Schudt                   | Director  | 1992                                     | 2014                               |

- (1) Denotes the earlier of the year the individual became a director of BankFinancial, F.S.B. or the year the individual became a director of the Company or its predecessors, BankFinancial MHC and BankFinancial Corporation, the federal corporation. Except for Glen R. Wherfel and Cassandra J. Francis, each individual has served as a director of the Company since its formation in 2004. Mr. Wherfel was appointed to the Board of Directors of the Company on May 18, 2006; Ms. Francis was appointed to the Board of Directors of the Company on September 27, 2006.

---

**Table of Contents**

**Nominees**

The business experience for at least the past five years of each nominee for election to the Board of Directors and the qualifications of each nominee to serve as a director are set forth below, in each case as of May 17, 2012.

**Cassandra J. Francis.** Age 46. Ms. Francis currently provides management, real estate and construction related strategic planning, program and project advisory services to public, private and non-profit organizations and professional associations. Ms. Francis previously served as Executive Director and Vice President of Clayco, Inc., a national design-build construction firm, and as the Director of Olympic Village Development for Chicago's bid to host the 2016 Summer Olympic and Paralympic Games. Prior to serving as the Director of Olympic Village Development, she held various management positions, including Senior Vice President with U.S. Equities Development, L.L.C. from 1995 to 2008. Ms. Francis is an accredited member of the American Institute of Certified Planners, is an LEED accredited professional, and is licensed as a Real Estate Managing Broker in the State of Illinois and as a Real Estate Principal Broker in the State of Indiana. She is also a member of the Board of Governors of Lambda Alpha International, an honorary land economics society, the Chicago Advisory Board of the Urban Land Institute, and the Chicago Loop Alliance, a business organization that supports economic development, programming and improvements to Chicago's central business district's built environment. Ms. Francis has been a director of the Company and the Bank since 2006, and is a member of the Asset Liability Management Committee of the Bank.

Ms. Francis brings to the Board, among other skills and qualifications, substantial experience in urban planning and commercial real estate development and operations, with particular emphasis in retail development and leasing. She also has extensive experience with commercial real estate finance and valuations, particularly in Midwestern markets.

**Thomas F. O'Neill.** Age 65. Mr. O'Neill is a Principal of Ranieri Partners. He joined Ranieri Partners in 2010 as the Chairman of Ranieri Partners Financial Services Group, a company formed to acquire and manage financial services companies, including money management and investment management firms. Mr. O'Neill also works with Ranieri Partners' investment funds and operating companies. In 2010, Mr. O'Neill retired from Sandler O'Neill & Partners, an investment banking firm he co-founded in 1988 that advises banks, thrifts and other domestic and international financial services firms on a broad range of strategic and transactional matters, including mergers and acquisitions and other strategic transactions, capital formation and financings, asset liability management and asset purchases and dispositions. Prior to co-founding Sandler O'Neill, Mr. O'Neill was a Managing Director at Bear Stearns and was the Co-Manager of Bear Stearns' Financial Services Group. Mr. O'Neill began his career at L.F. Rothschild & Co. in 1972, where he served as the Managing Director of the Bank Service Group. Mr. O'Neill currently serves on the Boards of Directors of the NASDAQ, the Archer Daniels Midland Company and Misonix, Inc. He is a member of the Audit Committee and the Finance Committee for both the NASDAQ and the Archer Daniels Midland Company.

Mr. O'Neill brings to the Board, among other skills and qualifications, substantial experience and expertise in a broad range of matters that affect publicly-traded bank and thrift holding companies, including corporate governance, asset liability management, investment management, mergers and acquisitions, asset purchases and dispositions and corporate finance.

**Terry R. Wells.** Age 53. Mr. Wells has served as the Mayor of the Village of Phoenix, Illinois since 1993. Mr. Wells has also taught history and social studies since 1981 at the elementary and high school levels, and presently teaches U.S. History at Thornton Township High School in Harvey, Illinois. He is also a member of the Board of Directors of Pace, a Division of the Regional Transportation Authority (Illinois), and the Board of Trustees of South Suburban College. Mr. Wells served as President of the South Suburban Mayors and Managers Association from 2009 through 2010. Mr. Wells has been a director of the Company since its formation in 2004, and of the Bank since 1994. He was a director of the Company's predecessors, BankFinancial



---

## **Table of Contents**

MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Wells is a member of the Audit Committees of the Company and Bank.

Mr. Wells brings to the Board, among other skills and qualifications, substantial experience in municipal government and finance, community and economic development and serving the needs of low- and moderate-income borrowers and communities. His experience as an educator has also provided him with significant expertise in secondary and post-secondary vocational training applicable to the Bank's customer service and support personnel.

**The Board of Directors recommends a vote FOR the above nominees.**

### **Continuing Directors**

The business experience for at least the past five years of each continuing member of the Board of Directors and each individual's qualifications to serve as a director are set forth below, in each case as of May 17, 2012.

**F. Morgan Gasior.** Age 48. Mr. Gasior has served as Chairman of the Board, Chief Executive Officer and President of the Company since its formation in 2004, and of the Bank since 1989, and as a director of the Bank since 1983. He held the same positions with the Company's predecessors, BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Gasior has been employed by the Bank in a variety of positions since 1984, and became a full-time employee in 1988 when he was appointed as Executive Vice President and Chief Operating Officer. Mr. Gasior serves as the Chairman of the Executive Committees of the Company and the Bank and is a member of the Asset Quality Committee of the Bank. He was also a director and officer of Financial Assurance Services from 1989 through 2003. Mr. Gasior is licensed as an attorney in the States of Illinois and Michigan, but he does not actively practice law.

Mr. Gasior brings to the Board, among other skills and qualifications, a comprehensive understanding of the Bank's strategies, operations and customers based on his more than 28 years of service as an employee and officer of the Bank. He has led the development and implementation of the Bank's financial, lending, operational, technology and expansion strategies, and this experience has uniquely positioned him to adjust the Company's business strategies to respond to changing economic, regulatory and competitive conditions, and to discern and coordinate operational changes to match these strategies. His position on the Board also provides a direct channel of communication from senior management to the Board.

**John M. Hausmann, C.P.A.** Age 57. Mr. Hausmann has been a self-employed certified public accountant since 1980. Prior to that time, he was an accountant with Arthur Andersen. Mr. Hausmann is a member of the American Institute of Certified Public Accountants and the Illinois Certified Public Accountant Society. He has been a director of the Company since its formation in 2004, and of the Bank since 1990. He was a director of the Company's predecessors, BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Hausmann is the Chairman of the Audit Committees of the Company and the Bank, is a member of the Executive Committees of the Company and the Bank, and since the Company's 2010 Annual Meeting of Stockholders, has been a member of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company.

Mr. Hausmann brings to the Board, among other skills and qualifications, a comprehensive understanding of accounting, auditing and taxation principles based on his many years of experience as a certified public accountant. His experience as a member of the Audit Committee has provided him with a thorough knowledge of the Company's internal controls and internal and external audit procedures. His tax and accounting practice and longtime residency in the Bank's southernmost market territory have also provided him with a unique familiarity with the needs of the Bank's small business and municipal customers and communities.

**Joseph A. Schudt.** Age 74. Mr. Schudt served as the Principal Partner and President of Joseph A. Schudt & Associates, a professional engineering firm based in Frankfort, Illinois, specializing in engineering design, environmental analyses and land surveying, from 1972 to 2004. Mr. Schudt currently serves as a Vice President of Joseph A. Schudt & Associates. Mr. Schudt is licensed as a professional engineer in seven states, including Illinois. He has been a director of the Company since its formation in 2004, and of the Bank since 1992.

---

## **Table of Contents**

He was a director of the Company's predecessors, BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Schudt is the Chairman of the Asset Quality Committee of the Bank, is a member of the Executive Committees of the Company and the Bank, and since the Company's 2011 Annual Meeting of Stockholders, has been a member and the Chairman of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company.

Mr. Schudt brings to the Board, among other skills and qualifications, substantial experience in commercial real estate construction and development, and federal, state and local requirements relating to project development, land use and environmental remediation. His experience as a member and the Chairman of the Bank's Asset Quality Committee has provided him with a thorough knowledge of the Bank's loan portfolio and portfolio management practices, as well as applicable financial, consumer and social compliance regulations.

**Glen R. Wherfel, C.P.A.** Age 62. Mr. Wherfel has been a principal in the accounting firm of Wherfel & Associates since 1984. Mr. Wherfel was a director of Success National Bank from 1993 to 2001, and of Success Bancshares from 1998 to 2001. He was the Chairman of Success National Bank's Loan Committee and a member of its Asset Liability Management Committee. Mr. Wherfel has been a director of the Company since 2006, and of the Bank since 2001. Mr. Wherfel is a member of the Asset Quality Committee of the Bank, and since the Company's 2010 Annual Meeting of Stockholders, has been a member of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company.

Mr. Wherfel brings to the Board, among other skills and qualifications, substantial experience in entrepreneurial finance and operations. His tax and accounting practice, longtime residency in the Bank's northern market territory and service as a director of Success National Bank have also provided him a unique familiarity with the needs of the Bank's small business and municipal customers and communities.

### **Director Independence**

The Board of Directors has determined that, except for Mr. Gasior, who serves as the Chairman, Chief Executive Officer and President of the Company, each of the Company's directors is independent as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market.

### **Executive Officers Who Are Not Directors**

Set forth below is information, as of May 17, 2012, regarding the principal occupations for at least the past five years of the individuals who serve as executive officers of the Company and/or the Bank who are not directors of the Company or the Bank. All executive officers of the Company and the Bank are elected annually by their respective Boards of Directors and serve until their successors are elected and qualify. No executive officer identified below is related to any director or other executive officer of the Company or the Bank. Except as indicated elsewhere in this Proxy Statement, there are no arrangements or understandings between any officer identified below and any other person pursuant to which any such officer was selected as an officer.

**Gregg T. Adams.** Age 53. Mr. Adams has served as the Executive Vice President of the Marketing and Sales Division of the Bank since 2001 and was the Senior Vice President of the Marketing and Sales Division from 2000 to 2001. Mr. Adams joined the Bank in 1986 and has served in various positions with the Bank and its former real estate subsidiary, Financial Properties, Inc., including as Vice President of Marketing Development.

**James J. Brennan.** Age 61. Mr. Brennan has served as the Secretary and General Counsel of the Bank since 2000 and of the Company since its formation in 2004, and held the same positions with BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 2000 to 2005. Mr. Brennan also serves as the Executive Vice President of the Corporate Affairs Division of the Company and the Bank. Mr. Brennan was a practicing attorney from 1975 until 2000. Prior to joining the Bank and its parent companies, he was a partner in the law firm of Barack Ferrazzano Kirschbaum & Nagelberg, Chicago, Illinois, and was the Co-Chairman of the firm's Financial Institutions Group and a member of its Management Committee. Mr. Brennan is also a director of Financial Assurance Services.

**Table of Contents**

**Christa N. Calabrese.** Age 63. Ms. Calabrese has served as the President of the Bank's Northern Region since 2001. She served as the Chief Lending Officer of Success National Bank from 1992 until it was acquired by the Company in 2001, and during that time she held the offices of Executive Vice President and Senior Vice President. Ms. Calabrese was an Asset Specialist with the Resolution Trust Corporation from 1990 to 1992 and held commercial lending positions with several Chicago area community banks from 1969 to 1990.

**Paul A. Cloutier, C.P.A.** Age 48. Mr. Cloutier has served as the Chief Financial Officer and Treasurer of the Company since its formation in 2004, of the Bank since 1991, and of BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Cloutier also serves as the Executive Vice President of the Finance Division of the Company and the Bank. He is a registered certified public accountant in the State of Michigan and is a member of the American Institute of Certified Public Accountants. Prior to joining the Bank and its parent companies, he was a Senior Tax Associate with Coopers & Lybrand.

**William J. Deutsch, Jr.** Age 44. Mr. Deutsch has served as the President of the Bank's National Commercial Leasing Division since January 2011, and served as the Senior Vice President of National Commercial Leasing since 2002. Prior to joining the Bank, Mr. Deutsch was the Senior Vice President - Lease Finance Group for the First Bank of Highland Park.

**John G. Manos.** Age 51. Mr. Manos has served as the President of the Bank's Southern Region since 2006. He has held various positions with the Bank since 1999, including Senior Vice President, Vice President and Senior Vice President of Regional Commercial Banking. Prior to joining the Bank, Mr. Manos was the Manager - Commercial Lending for Preferred Mortgage Associates.

**Table of Contents****BENEFICIAL OWNERSHIP OF COMMON STOCK BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of May 17, 2012, certain information as to the beneficial ownership of shares of the Company's common stock by: (i) those persons or entities known by the Company to beneficially own more than 5% of the Company's outstanding shares of common stock; (ii) each director and nominee for election as director; (iii) each named executive officer of the Company; and (iv) all directors and executive officers of the Company and the Bank as a group. The address for each individual listed below is: care of BankFinancial Corporation, 15W060 North Frontage Road, Burr Ridge, Illinois 60527. An asterisk denotes beneficial ownership of less than one percent.

| Name and Address of Beneficial Owners   | Amount of Shares<br>Owned and Nature of<br>Beneficial Ownership <sup>(1)</sup> | Percent of Shares of<br>Common Stock<br>Outstanding |
|---|--|---|
| Wellington Management Company, LLP<br>280 Congress Street<br>Boston, Massachusetts 02210                  | 2,082,221  | (2) 9.88%   |
| BankFinancial, F.S.B.<br>Employee Stock Ownership Plan Trust<br>2321 Kochs Lane<br>Quincy, Illinois 62305 | 1,878,002  | 8.91%   |
| Dimensional Fund Advisors LP<br>6300 Bee Cave Road<br>Building One<br>Austin, Texas 78746                 | 1,640,227  | (2) 7.78%   |
| M3 Partners LP<br>10 Exchange Place, Suite 510<br>Salt Lake City, Utah 84111                              | 1,585,085  | (3) 7.52%   |
| Black Rock, Inc.<br>40 East 52 <sup>nd</sup> Street<br>New York, NY 10022                                 | 1,205,181  | (2) 5.72%   |
| <b>Directors and Nominees</b>   |  |   |
| Cassandra J. Francis  | 75,164   | (4) *   |
| F. Morgan Gasior  | 574,218  | (5) 2.69%   |
| John M. Hausmann  | 135,829  | (6) *   |
| Sherwin R. Koopmans   | 114,664  | (7) *   |
| Thomas F. O'Neill   |  | *   |
| Joseph A. Schudt  | 182,484  | (8) *   |
| Terry R. Wells  | 117,664  | (9) *   |
| Glen R. Wherfel   | 124,772  | (10) *  |

Edgar Filing: BankFinancial CORP - Form DEF 14A

**Named Executive Officers (other than Mr. Gasior):**

|                      |         |      |       |
|----------------------|---------|------|-------|
| Paul A. Cloutier     | 242,711 | (11) | 1.14% |
| James J. Brennan     | 339,767 | (12) | 1.60% |
| Christa N. Calabrese | 184,213 | (13) | *     |
| Gregg T. Adams       | 147,507 | (14) | *     |

**All Directors and Executive Officers (including**

|  |                  |      |               |
|--|------------------|------|---------------|
| <b>Named Executive Officers) as a Group (14 persons)</b> | <b>2,498,103</b> | (15) | <b>11.14%</b> |
|--|------------------|------|---------------|

Footnotes on following page.

**Table of Contents**

- (1) The information reflected in this column is based upon information furnished to us by the persons named above and the information contained in the records of our stock transfer agent. The nature of beneficial ownership for shares shown in this column, unless otherwise noted, represents sole voting and investment power and includes shares of common stock issuable upon the exercise of options that are exercisable currently or within 60 days of May 17, 2012.
- (2) Amount of shares owned and reported on the most recent Schedule 13F filings with the SEC, reporting ownership as of March 31, 2012.
- (3) Amount of shares owned and reported on the most recent Schedule 13G filings with the SEC, reporting ownership as of December 31, 2011.
- (4) Includes 4,334 shares of unvested restricted stock held in Ms. Francis name and 49,664 shares issuable pursuant to options held in Ms. Francis name.
- (5) Includes 22,957 shares held by the BankFinancial and Subsidiaries Associate Investment Plan, 8,761 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan, and 300,000 shares issuable pursuant to options held in Mr. Gasior s name. Also includes 122,500 shares held in trust for Mr. Gasior s spouse and 2,500 shares held by Mr. Gasior s spouse s individual retirement account. Mr. Gasior disclaims beneficial ownership of these 125,000 shares.
- (6) Includes 78,664 shares issuable pursuant to options held in Mr. Hausmann s name.
- (7) Includes 66,664 shares issuable pursuant to options held in Mr. Koopmans name. Mr. Koopmans is not standing for re-election at the Annual Meeting of Stockholders.
- (8) Includes 78,664 shares issuable pursuant to options held in Mr. Schudt s name, 67,405 shares held in trust and 30,438 shares held by an individual retirement account. In addition, includes 5,977 shares held by Mr. Schudt s spouse s individual retirement account. Mr. Schudt disclaims beneficial ownership of these 5,977 shares.
- (9) Includes 70,664 shares issuable pursuant to options held in Mr. Wells name.
- (10) Includes 63,664 shares issuable pursuant to options held in Mr. Wherfel s name, and includes 28,608 shares held in trust and 7,500 shares held by an individual retirement account.
- (11) Includes 8,761 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan. Also, includes 151,000 shares issuable pursuant to options held in Mr. Cloutier s name. Mr. Cloutier s holdings include 82,950 shares of common stock subject to pledge.
- (12) Includes 80,039 shares held by the BankFinancial and Subsidiaries Associate Investment Plan, 8,761 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan, 165,667 shares issuable pursuant to options held in Mr. Brennan s name. Also includes 300 shares held by Mr. Brennan s spouse. Mr. Brennan disclaims beneficial ownership of these 300 shares.
- (13) Includes 14,118 shares held by the BankFinancial and Subsidiaries Associate Investment Plan, 8,761 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan, and 136,334 shares issuable pursuant to options held in Ms. Calabrese s name.
- (14) Includes 31,746 shares held by the BankFinancial and Subsidiaries Associate Investment Plan, 8,761 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan, and 85,000 shares issuable pursuant to options held in Mr. Adams name.
- (15) Includes 1,351,819 shares issuable pursuant to options held.

**Section 16(a) Beneficial Ownership Reporting Compliance**

The Company s executive officers, directors and beneficial owners of greater than 10% of the outstanding shares of the Company s common stock are required to file reports with the SEC disclosing beneficial ownership and changes in beneficial ownership of the Company s common stock. SEC rules require disclosure if an executive officer, director or 10% beneficial owner fails to file these reports on a timely basis. Based on the Company s review of ownership reports required to be filed for the year ended December 31, 2011, no executive officer, director or 10% beneficial owner of shares of the Company s common stock failed to file any required ownership report on a timely basis during this period.

**CODE OF ETHICS**

The Company has adopted a Code of Ethics for Senior Financial Officers that applies to the Company s principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. A copy of the Company s Code of Ethics was previously filed as Exhibit 14 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005. The Company has also adopted a Code of Business Conduct, pursuant to the listing standards of the NASDAQ Stock Market, that applies generally to the Company s directors, officers, and employees. The Code of Ethics for Senior Financial Officers and the Code of Business Conduct have been reviewed annually by the Board of Directors since the time of their adoption and the reviews have not resulted in any revisions.

---

**Table of Contents**

**BOARD LEADERSHIP STRUCTURE AND BOARD'S ROLE IN RISK OVERSIGHT**

**Leadership Structure.** The Company's Board of Directors has a distributed leadership structure. The Board has established a standing Executive Committee consisting of the Chief Executive Officer and the Chairs of the Audit, Asset Quality and Asset-Liability Committees, each of whom is an independent Director. Thus, a super-majority of the Executive Committee consists of independent Directors. The Executive Committee exercises the authority of the Board between meetings on matters not reserved exclusively to the Board by the Company's charter or bylaws. In addition, independent directors chair the Corporate Governance and Nominating Committee and the Human Resources Committee, the members of which are all independent Directors.

In 2010, the Board amended the charter of the Corporate Governance and Nominating Committee to provide that the Chair of this committee will serve as the Board's Lead Director. The Lead Director calls and presides at all executive sessions or special meetings of the Board's outside, independent directors and provides feedback to the Chief Executive Officer regarding the same; works with the Chairs of the other committees of the Board to ensure coordinated coverage of the Board's duties and responsibilities; serves as a supplemental point of contact for Board members and stockholders; serves as a liaison between the Board's outside, independent Directors and the Chief Executive Officer; coordinates the implementation of the charter of the Corporate Governance and Nominating Committee, including Board performance evaluations; and executes any other duties and responsibilities the Board may establish.

The Chairman of the Board coordinates the Board's functions, including the activities of the Board's committees, with the execution of the Company's business plan and day-to-day operations. Although the Chairman also presides over Board meetings as provided in the Company's bylaws, the charter of the Corporate Governance and Nominating Committee was amended in 2010 to formalize the Board's practice of permitting any director to place any item on the agenda for any Board meeting.

The Board periodically meets outside the presence of the Chief Executive Officer. The independent members of the Board also conduct a periodic review of the Company's financial condition, results of operation, long-term planning, management structure and internal governance practices. The Board utilizes the findings and recommendations resulting from its review to revise and enhance its oversight, as appropriate.

The Board does not have a policy requiring the separation of the offices of Chairman and Chief Executive Officer, and Mr. Gasior currently serves in both capacities. The Board believes that the selection of its Chairman should be based upon the Board's assessment of the Company's current operating needs, the suitability of the individual to effectively discharge the duties of the Chairman and the leadership structure that will best serve the interests of the Company and its stockholders. The Board believes that combining the offices of Chairman and Chief Executive Officer is currently an effective governance structure because it provides an efficient and unified responsibility and mechanism for the coordination of the activities of the Board of Directors and those of management. The Board also believes that its creation of the Lead Director position, its policy of universal Board agenda access and its practice of conducting periodic meetings outside the presence of the Chief Executive Officer will achieve benefits that are equivalent to those that might result from separating the offices of Chairman and Chief Executive Officer.

**Role in Risk Oversight.** The Board is actively involved in the oversight of risks that could affect the Company through, among other things, the adoption of policies and procedures that establish acceptable risk parameters for lending, investment and other specific functions; the use of internal controls to identify and monitor specific risks; the establishment of an internal audit function that monitors compliance with policies, procedures and internal controls and reports directly to the Board's Audit Committee; oversight and reporting by Board committees with respect to matters within their jurisdictions; the receipt of periodic reports, and in certain cases, detailed risk assessments, from officers of the Company who are responsible for the oversight of specific functions; and the periodic use of outside consultants to conduct independent reviews of lending activities, information systems risks and certain other functions and activities.

**Table of Contents**

This leadership and risk management structure is designed to ensure that financial, risk, internal control reporting and market information are provided directly to the independent directors of the Company and acted upon as necessary. Taken together, the Board believes that it has an effective leadership structure controlled by independent directors, with open meeting agendas and an established mechanism for oversight and evaluation of the Company as well as the Board's and management's execution of their respective responsibilities.

**BOARD COMMITTEE REPORTS, POLICIES AND PROCEDURES****Meetings and Committees of the Board of Directors**

**Board of Directors and Committees.** The business of the Company is conducted at regular and special meetings of the Board of Directors and its committees. In addition, the independent members of the Board of Directors, as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market, meet in executive sessions. The standing committees of the Board of Directors of the Company are the Executive, Audit, Corporate Governance and Nominating, and Human Resources Committees. During the year ended December 31, 2011, the Board of Directors of the Company held four regular and three special meetings. No member of the Board of Directors or any Board committee attended less than 75% of Board meetings and Board committee meetings on which the director served. In addition, a number of matters were evaluated, considered and/or decided during the year by electronic distribution and voting.

The table below shows current membership for each of the standing Board committees:

| <b>Directors</b>                   | <b>Executive Committee</b> | <b>Audit Committee</b> | <b>Corporate Governance and Nominating Committee</b> | <b>Human Resources Committee</b> |
|------------------------------------|----------------------------|------------------------|--|----------------------------------|
| Cassandra J. Francis               |                            |                        |  |                                  |
| F. Morgan Gasior                   | Chair                      |                        |  |                                  |
| John M. Hausmann                   | ü                          | Chair                  | ü  | ü                                |
| Sherwin R. Koopmans <sup>(1)</sup> | ü                          | ü                      |  |                                  |
| Joseph A. Schudt                   | ü                          |                        | Chair  | Chair                            |
| Terry R. Wells                     |                            | ü                      |  |                                  |
| Glen R. Wherfel                    |                            |                        | ü  | ü                                |
| Meetings held during 2011          | 0                          | 6                      | 1  | 4                                |

(1) Mr. Koopmans is not standing for re-election at the Annual Meeting of Stockholders.

**Executive Committee.** The Executive Committee is authorized to act with the same authority as the Board of Directors between meetings of the Board of Directors, subject to certain limitations contained in the Bylaws of the Company. The members of the Executive Committee of the Company also serve as members of the Executive Committee of the Bank. The three special meetings held by the Board of Directors in 2011 made it unnecessary for the Executive Committee to hold separate meetings.

**Audit Committee.** The Board of Directors has adopted a written charter for the Audit Committee, which is attached as Appendix A to this Proxy Statement. As more fully described in the Audit Committee Charter, the Audit Committee reviews the records and affairs of the Company to determine its financial condition, reviews with management and the Company's independent registered public accounting firm the systems of internal control over financial reporting, and monitors adherence in accounting and financial reporting to accounting principles generally accepted in the United States. Each member of the Audit Committee is an independent director as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market and Rule 10A-3 of the Securities Exchange Act of 1934, as amended. In addition, the Board of Directors has determined that Messrs. Hausmann and Koopmans both qualify as an audit committee financial expert as currently defined in the regulations of the SEC.



---

**Table of Contents**

***Corporate Governance and Nominating Committee.*** The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee, which is attached as Appendix B to this Proxy Statement. The Corporate Governance and Nominating Committee consists, at any point in time, of all of the directors of the Company who qualify as independent in accordance with the listing standards of the NASDAQ Stock Market, except that no director may serve on the Corporate Governance and Nominating Committee at any meeting at which he or she has been or is seeking to be proposed as a nominee.

The Corporate Governance and Nominating Committee identifies nominees by first evaluating the current members of the Board of Directors who are willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If vacancies on the Board of Directors arise, or if a current director is not nominated for re-election, the Corporate Governance and Nominating Committee will determine the skills and experience desired of a new nominee, solicit suggestions for director candidates from all members of the Board of Directors, and may engage in other search activities. During the year ended December 31, 2011, the Company did not pay a fee to any third party to identify or evaluate, or assist in identifying or evaluating, potential nominees for director.

Candidates for a directorship should possess specific attributes, including integrity and a devotion to ethical behavior, a primary interest in the well-being of the Company, a capacity for independent judgment, good business acumen, the capacity to protect confidential information, an ability to work as a member of a team and a willingness to evaluate other opinions or points of view. In addition to examining a candidate's qualifications in light of the above attributes, the Corporate Governance and Nominating Committee would also consider the overall character of the candidate and any existing or potential conflict of interest, the candidate's willingness to serve and ability to devote the time and effort required, the candidate's record of leadership, and the ability to develop business for the Company and its subsidiaries.

The Corporate Governance and Nominating Committee and the Board of Directors nominate candidates for election to the Company's Board of Directors based on the candidate's experience and expertise applicable to the current and expected future business operations of the Company. There is no formal policy with regard to the consideration of diversity in identifying a director nominee, and no specific demographic factors, or absence of such factors, prejudice a candidate's qualification for nomination to the Board of Directors.

The Company's Bylaws also establish specific qualifications for directors, and provide that no person who is more than 75 years of age shall be eligible for election to the Board of Directors, and that each director must be a stockholder of the Company.

The Corporate Governance and Nominating Committee may consider qualified candidates for director suggested by the stockholders of the Company. Stockholders may suggest a qualified candidate for director by writing to BankFinancial Corporation at 15W060 North Frontage Road, Burr Ridge, Illinois 60527, Attention: James J. Brennan, Secretary, and providing the information described above from the Company's Bylaws concerning the suggested candidate. A suggestion made to the Company's Secretary concerning a potential candidate for a directorship will not constitute a nomination of the suggested candidate for election as a director. All nominations of candidates for election as a director must strictly comply with the applicable requirements and time limits summarized on page 39 in Advance Notice of Business to be conducted at an Annual Meeting.

***Human Resources Committee.*** The Board of Directors has adopted a written charter for the Human Resources Committee, which is attached as Appendix C to this Proxy Statement. The Human Resources Committee reviews and approves executive compensation, benefit plans, incentive compensation plans and employment agreements, and makes recommendations with respect to those matters to the Board of Directors. Each member of the Human Resources Committee is independent as defined in Rule 5605(a)(2) of the listing

**Table of Contents**

standards of the NASDAQ Stock Market. The meetings of the Human Resources Committee consisted of executive sessions held outside the presence of management at the conclusion of regular or special Board of Directors meetings to discuss compensation, performance and employment related matters.

**AUDIT COMMITTEE REPORT**

In accordance with the applicable rules of the SEC, the Audit Committee has prepared the following report for inclusion in this Proxy Statement:

As part of its ongoing activities, the Audit Committee has:

Reviewed and discussed with management the Company's audited consolidated financial statements for the year ended December 31, 2011;

Discussed with the Company's independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended; and

Received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the SEC.

This report has been provided and is respectfully submitted by the Audit Committee:

John M. Hausmann, C.P.A., Chairman

Sherwin R. Koopmans

Terry R. Wells

**Table of Contents**

**RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Company's Audit Committee has engaged Crowe Horwath LLP to audit the financial statements of the Company for the year ending December 31, 2012, subject to the ratification of the engagement by the Company's stockholders. A representative of Crowe Horwath is expected to attend the Annual Meeting and will have the opportunity to make a statement, if he or she so desires, as well as to respond to appropriate questions that may be asked by a stockholder. If the appointment of the independent registered public accounting firm is not ratified, the matter of the appointment of the independent registered public accounting firm will be considered by the Company's Audit Committee.

**The Board of Directors recommends a vote FOR the ratification of the engagement of Crowe Horwath LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012.**

**Accounting Fees and Services**

Set forth below is certain information concerning aggregate fees billed for professional services rendered by Crowe Horwath LLP during the years ended December 31, 2011 and 2010:

**Audit Fees.** The aggregate fees billed to the Company by Crowe Horwath for professional services rendered by Crowe Horwath for the audit of the Company's annual financial statements and internal controls, review of the financial statements included in the Company's Annual Reports on Form 10-K and services that are normally provided by Crowe Horwath in connection with statutory and regulatory filings and engagements were \$417,320 and \$367,800 during the years ended December 31, 2011 and 2010, respectively.

**Audit-Related Fees.** The aggregate fees billed to the Company by Crowe Horwath for assurance and related services rendered by Crowe Horwath that are reasonably related to the performance of the audit of and review of the financial statements and that are not already reported in Audit Fees above, were \$36,700 and \$38,000 during the years ended December 31, 2011 and 2010, respectively. The 2011 and 2010 fees were billed to the Company for services related to the Bank's ESOP and 401(k) Plans, and in 2011 the fees were paid by the Plans. In 2011, fees totaling \$15,800 were paid for the audit and review of the Bank's Trust Department.

**Tax Fees.** The aggregate fees billed to the Company by Crowe Horwath for professional services rendered by Crowe Horwath for tax consultations and tax compliance were \$47,000 and \$55,150 during the years ended December 31, 2011 and 2010, respectively.

**All Other Fees.** Crowe Horwath performed professional services in the amount of \$5,175 that would be considered in the all other fee category during the fiscal year ended December 31, 2011 and did not perform any professional services in the category during 2010.

**Audit Committee Pre-Approval Policy**

The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by Crowe Horwath, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee pre-approved the audit related fees and tax fees described above during the years ended December 31, 2011 and 2010.

---

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

This Compensation Discussion and Analysis describes the Company's compensation philosophy and policies for 2011 as applicable to the executive officers named in the Summary Compensation Table. This section explains the structure and rationale associated with each material element of the named executive officers' compensation, and it provides context for the more detailed disclosure tables and specific compensation amounts provided in the following section. It is important to note that the Company and the Bank share an executive management team, and except for awards made pursuant to the Company's 2006 Equity Incentive Plan (the "2006 EIP"), the members of the executive management team are compensated by the Bank rather than the Company, and the Company reimburses the Bank for their services to the Company through intercompany expense allocations. The compensation packages of the named executive officers are determined and approved by the Human Resources Committee based upon each officer's performance and roles for both the Company and the Bank.

**Role of the Human Resources Committee of the Board of Directors**

Pursuant to its Charter, the Human Resources Committee is directly responsible for the execution of the Board of Directors' responsibilities with respect to compensation, performance evaluation and succession planning for the Company's Chief Executive Officer and other named executive officers. The Human Resources Committee is also responsible for the submission of an annual report on executive compensation to the Board of Directors for inclusion in the Company's Annual Report on Form 10-K. Since the Company's 2011 Annual Meeting of Stockholders, the Human Resources Committee has been comprised of Messrs. Schudt (Chairman), Hausmann, and Werfel, each of whom is expected to serve on the committee through the conclusion of the Company's Annual Meeting of Stockholders on June 26, 2012. Each of the members of the Human Resources Committee is considered independent according to the listing standards of the NASDAQ Stock Market, an outside director pursuant to Section 162(m) of the Internal Revenue Code, and a non-employee director under Section 16 of the Securities Exchange Act of 1934.

**Compensation Philosophy and Objectives**

The overall objective of the Company's compensation program is to align executive officer compensation with the success of meeting strategic, financial and management objectives and goals. The programs are designed to create meaningful and appropriate incentives to manage the business of the Company and the Bank successfully and to align executive officers' interests with those of the stockholders of the Company. The program is structured to accomplish the following:

encourage a consistent and competitive return to stockholders over the long-term;

maintain a corporate environment that encourages stability and a long-term focus for the primary constituencies of the Company, including employees, stockholders, communities, clients and government regulatory agencies;

maintain a program that:

clearly motivates personnel to perform and succeed according to the current goals of the Company;

provides management with the appropriate empowerment to make decisions that benefit the primary constituents;

attracts and retains key personnel critical to the long-term success of the Company;

provides for management succession planning and related considerations;

encourages increased productivity; and

provides for subjective consideration in determining incentive and compensation components; and

---

**Table of Contents**

ensure that management:

fulfills its oversight responsibility to its primary constituents;

conforms its business conduct to the Company's established ethical standards;

remains free from any influences that could impair or appear to impair the objectivity and impartiality of its judgments or treatment of the constituents of the Company; and

avoids any conflict between its responsibilities to the Company and each executive officer's personal interests.

**Compensation Committee Interlocks and Insider Participation**

Mr. Gasior is the only director of the Company and the Bank who is also an executive officer of the Company and/or the Bank. Mr. Gasior does not participate in the decisions of the Boards of Directors of the Company or the Bank or their respective Human Resources Committees concerning his compensation. No executive officer of the Company or the Bank has served on the Board of Directors or on the compensation committee of any other entity that had an executive officer serving on the Company's Board of Directors or Human Resources Committee.

**Compensation Principles and Factors**

**Business Plan Objectives.** The Boards of Directors of the Company and the Bank periodically conduct a review of current and anticipated business conditions in the context of the Company's and the Bank's financial and competitive position. The review period typically includes at least the previous two fiscal years and up to five years prospectively. In connection with this review, management submits a business plan to the Boards of Directors of the Company and the Bank that proposes strategic, financial and management objectives for the period covered, using multiple scenarios in response to a variety of stated assumptions. The Boards of Directors then evaluate the proposed business plan, and modify its provisions to the extent they deem appropriate. The business plan is updated by management and the Boards of Directors periodically throughout the year to respond to changing circumstances and conditions. The business plan provides a basis for evaluating the future progress of the organization, including all appropriate strategic alternatives, and management's performance pursuant to the Human Resources Committee's Charter.

For 2011, the Human Resources Committee considered the Company's and the Bank's performance within the context of the 2011 business plan and management's overall performance, weighing numerous factors within and outside of management's control.

**Corporate Performance and Peer Comparison.** In establishing named executive officer compensation, the Human Resources Committee periodically evaluates the Company's and the Bank's performance compared to management's and the Board of Directors' overall goals and business plan objectives as well as to other financial institutions. The Human Resources Committee believes that using the Company's and the Bank's performance as a factor in determining named executive officer compensation levels is a useful tool for aligning the executive officers' interests with those of the stockholders of the Company. With that in mind, the Human Resources Committee focuses on the Company's and the Bank's overall performance relative to the prior calendar year and also considers the performance of local competitors. As part of the evaluation and review, the Human Resources Committee also takes into account the manner in which various subjective issues, such as competition and general and local economic conditions, including high unemployment rates and commodities prices and adverse conditions in housing and real estate markets, may have affected performance.

For purposes of comparative analysis in assessing performance, the Company generally considers commercial banks and savings institutions of similar asset size. The group of comparative institutions used in 2011 generally, but not exclusively, included local financial institutions with total assets of \$1 billion to \$10 billion. Given the ever-changing landscape within the banking industry, there is no specifically defined group of

---

## **Table of Contents**

companies that is utilized for this analysis. The local financial institutions that were considered in 2011 included Taylor Capital Group, Inc. (TAYC), First Midwest Bancorp, Inc. (FMBI), MB Financial, Inc. (MBFI), Wintrust Financial Corporation (WTFC), PrivateBancorp Inc. (PVTB) and CFS Bancorp, Inc. (CITZ).

The Human Resources Committee believes that peer comparison is a useful tool for staying competitive in the marketplace and attracting and retaining qualified executives. While the Human Resources Committee believes that it is prudent to consider peer comparison in determining compensation practices, it does not establish empirical parameters or benchmarks for using this data. Rather, the Human Resources Committee uses peer comparison data to ensure that executive compensation is reasonable relative to competing organizations.

***Performance Reviews and Role of Executives in Committee Meetings.*** Management reports to the Board of Directors at least annually on its progress in achieving the strategic, financial and management objectives established by the business plan. The Board of Directors then considers the overall performance of the Company and its named executive officers in the context of these objectives, weighing numerous factors and conditions within and outside of management's control. Upon the completion of this review, the Human Resources Committee reviews current and proposed compensation levels for the Chief Executive Officer and the other named executive officers. The Human Resources Committee relies in part upon the Chief Executive Officer's self-assessment as well as his assessment of each named executive officer's individual performance, which considers each named executive officer's achievements of his or her individual goals each year. However, the Board of Directors and Human Resources Committee exclude the Chief Executive Officer and all other named executive officers from their discussions and formal meetings concerning named executive officer compensation, except to receive the results of the decisions made by the Human Resources Committee or the Board of Directors and other relevant information.

***Information Resources and Role of Compensation Consultants.*** In reviewing current and proposed compensation levels for named executive officers, the Human Resources Committee considers the organizational structure and composition of the Company and the Bank, external information from public sources on peer and competitor compensation practices and levels and other information it deems relevant to its responsibilities. The Human Resources Committee continued to have access to its own outside counsel and compensation consultant during 2011. The Human Resources Committee engaged Frederic W. Cook & Co. to assist in the preparation of the compensation aspects of reports filed with the SEC and to be available for consultations with outside counsel to the Human Resources Committee, but did not engage an independent compensation consultant for any other specific purpose in the 2011 review process because it believed it had sufficient information from external, independent public sources to execute its responsibilities.

### **Components of Executive Compensation**

***General.*** All named executive officers of the Company, including the Chief Executive Officer, are currently executive officers of the Bank. On May 19, 2006, the Company adopted the 2006 EIP, and it was subsequently approved by the Company's stockholders at the 2006 Annual Meeting. Except for awards made pursuant to the 2006 EIP, the Company does not separately compensate its named executive officers. The compensation that the Bank pays to its named executive officers, however, is taken into account in establishing the intercompany expense allocations that the Company pays to the Bank. In connection with its mutual-to-stock conversion in 2005, the Bank also established a tax-qualified employee stock ownership plan (ESOP), and named executive officers are eligible to participate in the ESOP subject to vesting and other requirements and limitations applicable to all participants generally.

***Base Salary.*** Generally, base salary levels are established based on job descriptions and responsibilities, either temporary or permanent in nature (including any revisions or proposed revisions thereto), competitive conditions and general economic trends in the context of the Bank's financial and franchise condition, and performance. No surveys were used to establish base salaries during 2011. The Human Resources Committee determined that, based on the Company's operating results for the year ended December 31, 2011, the base

**Table of Contents**

compensation of the Company's three most highly compensated named executive officers would not be increased in 2012, and consistent with the Company's general base compensation practices for 2012, the base compensation of the remaining two named executive officers would be increased by 2.5%. In 2011, the base salaries of the Chief Financial Officer and the Executive Vice President – General Counsel were increased by 5%. No other increases were made to the base salaries of the named executive officers in 2011.

In 2012, the base salaries for the named executive officers are as follows:

| <b>Name</b>          | <b>Position</b>   | <b>2012 Base Salary<sup>(1)</sup></b> |
|----------------------|---|---------------------------------------|
| F. Morgan Gasior     | Chairman of the Board, Chief Executive Officer and President      | \$ 405,804                            |
| Paul A. Cloutier     | Executive Vice President and Chief Financial Officer              | \$ 271,998                            |
| James J. Brennan     | Executive Vice President, Corporate Secretary and General Counsel | \$ 325,468                            |
| Christa N. Calabrese | Northern Regional President                                       | \$ 232,477                            |
| Gregg T. Adams       | Executive Vice President, Marketing and Sales                     | \$ 230,625                            |

(1) Base salary is effective as of March 26, 2012, except that the base salaries for Messrs. Cloutier and Brennan did not change in 2012 and the base salary for Mr. Gasior did not change and has remained the same since 2009.

**Non-Equity Incentive Plan Compensation.** Annual cash incentive compensation reflects the relative achievement of the strategic, financial and management objectives established by the business plan, management's responses to unforeseen circumstances or conditions that materially differ from those originally assumed, and the individual performance factors established for the Chief Executive Officer, Chief Financial Officer and each Regional President. Annual cash incentive compensation is generally established as a range of possible awards based on a percentage of base salary. Other factors considered include recent changes or proposed changes to base salary or other compensation elements, as well as competitive considerations. The Human Resources Committee determined that, based on the Company's operating results for the year ended December 31, 2011, no cash incentive compensation would be paid to the Company's named executive officers, including the Chief Executive Officer, Chief Financial Officer and the Regional Presidents, for the year ended December 31, 2011.

The Company prepared performance- and risk-based incentive compensation matrices for the Chief Executive Officer, the Chief Financial Officer and each Regional President. Taken together, these matrices incorporate direct relationships of the Company's principal risk exposures and performance based on the Human Resources Committee's assessments. The matrices were not utilized to evaluate the eligibility of the Chief Executive Officer, the Chief Financial Officer and the Regional Presidents for cash incentive compensation for the year ended December 31, 2011 due to the Human Resources Committee's determination that no cash incentive compensation would be paid to the Company's named executive officers, including the Chief Executive Officer, Chief Financial Officer and Regional Presidents, for the year ended December 31, 2011.

**Bonus.** In 2011, the Company's business plan assumptions included a total annual bonus payment cash pool between 5% and 10% of base salary for named executive officers other than the Chief Executive Officer, the Chief Financial Officer and the Regional Presidents. Provided that, if and as applicable, the Company's overall



---

**Table of Contents**

financial performance was generally consistent with the overall projected business plan results (taking into consideration factors both within and outside of the Company's and the executive officers' control), the annual performance review process may result in an award based on an assessment of the named executive officer's execution of their applicable responsibilities. The Company does not use an empirical mathematical formula to determine the amount of the actual annual cash incentive compensation for these bonuses. The Human Resources Committee determined that, based on the Company's operating results for the year ended December 31, 2011, no bonuses would be paid to the Company's other named executive officers for the year ended December 31, 2011.

***Equity-Based Compensation.*** The 2006 EIP established a mechanism by which awards of restricted stock or stock options could be utilized to further align the financial interests of employees, including the named executive officers, with stockholders and, in the future, provide an additional means to attract, retain and reward individuals who contribute to the success of the Company. The Human Resources Committee has established share ownership guidelines (as described below) for the named executive officers and other executive officers. The Human Resources Committee also considers the significant financial investment required of a participant who retains shares granted under the 2006 EIP because such participant must pay current income tax obligations with respect to such shares without having the benefit of selling the shares to generate cash proceeds sufficient to pay such tax liability. In addition, consistent with the purpose of aligning management financial interests with stockholder interests, the Human Resources Committee delegated to the Chief Executive Officer the authority to make grants pursuant to and established a framework for the Chief Executive Officer's implementation of the 2006 EIP for individuals other than the executive officers of the Company or the Bank. In general, the delegated authority of the Chief Executive Officer is limited to grants to an aggregate of 120,000 restricted shares and 360,000 stock options, and to a maximum per individual of 10,000 restricted shares and 25,000 stock options.

No equity awards were granted to any named executive officer in 2011. The Human Resources Committee believes that the establishment of equity-based compensation programs has been an important tool for the retention and attraction of qualified management talent.

***Share Ownership Guidelines.*** In the absence of difficult personal circumstances, the Human Resources Committee encourages the Chief Executive Officer and the other named executive officers of the Company to acquire with their own funds and hold a position in Company shares equal to 100% of the executive's three-year average annual cash compensation. At December 31, 2011, all of the Company's named executive officers met all elements of the Human Resources Committee's share ownership guidelines.

***401(k) Plan.*** The Company has a tax-qualified defined contribution retirement plan covering all of its eligible employees. Employees are eligible to participate in the plan after attainment of age 21 and completion of six months of service. Effective April 1, 2007, the Board of Directors amended the match component of the plan to provide a fixed match in the amount of 50% of the first 6% of compensation deferred under the plan. The Board of Directors amended the match formula after considering the significant benefit provided to all eligible employees under the Bank's ESOP. The Company could also contribute an additional amount annually at the discretion of the Board of Directors. Contributions totaling \$414,482 were made to the 401(k) plan for 2011. All reasonable administrative expenses incurred by the Plan were paid by the Plan.

***Employee Stock Ownership Plan and Trust.*** The Bank implemented the ESOP in connection with the mutual-to-stock conversion, effective as of January 1, 2004. Employees are eligible to participate in the ESOP after the attainment of age 21 and completion of at least one year of employment. As part of the mutual-to-stock conversion, the ESOP trust borrowed funds from the Company and used those funds to purchase 1,957,300 shares of common stock. The shares of common stock purchased by the ESOP are the collateral for the loan. The loan will be repaid principally from the Bank through discretionary contributions to the ESOP over a period of up to 20 years. The loan documents provide that the loan may be repaid over a shorter period, without penalty for prepayments. The interest rate for the loan equals the prime rate plus 100 basis points, adjustable every five years. Shares purchased by the ESOP are held in a suspense account for allocation among participants as the loan is repaid. The Company does not have any equity compensation program that was not approved by its stockholders, other than its ESOP.

---

**Table of Contents**

Contributions to the ESOP, and shares released from the suspense account in an amount proportional to the repayment of the ESOP loan, and consistent with historical practices, are allocated among ESOP participants on the basis of compensation in the year of allocation. Benefits under the plan become fully vested upon completion of five years of credited service, with credit given to participants for years of credited service with the Bank prior to the adoption of the plan. However, employees retained through the merger of Downers Grove National Bank into the Bank will be credited with service beginning on the date they first became employed by the Bank. A participant's interest in his or her account under the plan also fully vests in the event of termination of service due to a participant's early or normal retirement, death, disability, or upon a change of control (as defined in the plan). Vested benefits are payable in the form of shares of common stock and/or cash. Any unvested benefits will be forfeited upon termination of employment in accordance with the terms of the ESOP. Such forfeited amounts remain in the ESOP and are reallocated to remaining participants in accordance with the terms of the ESOP. The Bank's contributions to the ESOP are discretionary, subject to the loan terms and tax law limits. The ESOP will terminate in the event of a change of control (as defined in the plan). All reasonable administrative expenses incurred by the Plan were paid by the Plan.

***All Other Compensation and Perquisites.*** The Human Resources Committee reviews and monitors the level of other compensation and perquisites offered to the named executive officers in the context of current business operations and general market practices. Excluding the effects of the Bank's contributions for the health, vacation, 401(k) and ESOP benefits available to all full-time employees and the Bank's reimbursement of the after-tax premium costs for disability insurance coverages, the Human Resources Committee generally believes that other compensation and perquisites should not exceed 10% of each named executive officer's total annual cash compensation. The Company's perquisite policy was amended in 2007 to reflect this limitation. As of December 31, 2011, the Company's compensation practices with respect to other compensation and perquisites met this standard.

**Conclusions for Year Ended December 31, 2011**

***Executive Summary.*** The following is a brief summary of the compensation decisions the Human Resources Committee made with respect to the named executive officers for 2011 and 2012:

No cash incentive compensation payments or bonuses were awarded to the named executive officers for the year ended December 31, 2011 and no equity awards were granted.

On March 26, 2012, the base salaries of the Northern Regional President and the Executive Vice President of Marketing and Sales increased by 2.5%, consistent with the Company's general base compensation practices for 2012. No other increases were made to the base salaries of the named executive officers in 2012.

In 2011, the base salaries of the Chief Financial Officer and the Executive Vice President - General Counsel were increased by 5%. No other increases were made to the base salaries of the named executive officers in 2011.

***Review of Chief Executive Officer.*** The Human Resources Committee met outside the presence of management to review the Chief Executive Officer's performance in the context of the approved business plan, and the extent to which established strategic, financial and management objectives were realized during 2011. The Human Resources Committee also evaluated the overall state of the Company's franchise and strategic position, capabilities and direction consistent with the Chief Executive Officer's execution of his leadership and planning responsibilities. The Human Resources Committee determined that, based on the Company's operating results for the year ended December 31, 2011, no cash incentive compensation would be paid to the Company's named executive officers, including the Chief Executive Officer, for the year ended December 31, 2011, and that the base compensation of the Company's three most highly compensated named executive officers, including the Chief Executive Officer, would not be increased in 2012. Because of this decision, the Human Resources Committee did not utilize a performance- and risk-based incentive compensation matrix to evaluate the eligibility of the Chief Executive Officer for cash incentive compensation or an increase in base compensation.

**Table of Contents**

The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Chief Executive Officer.

The performance- and risk-based incentive compensation matrix that has historically been used to evaluate the eligibility of the Chief Executive Officer for cash incentive compensation or an increase in base compensation encompasses five separately weighted performance areas – core earnings per share (25%), internal controls (25%), asset quality (25%), marketing and business development (15%), and leadership and planning (10%). For the matrix that was originally established for the year ended December 31, 2011, there were no predetermined numerical criteria for asset quality, leadership and planning or marketing and business development. The predetermined criterion for internal controls was the absence of significant or material deficiencies. The core earnings per share target and the actual results of the year ended December 31, 2011, are set forth in the table below.

| CATEGORY   | 2011 Performance | 2011 Plan |
|--|------------------|-----------|
| <b>Earnings Per Share</b>  |                  |           |
| Earnings (Loss) Per Share  | \$ (2.46)        | \$ 0.29   |
| Core Earnings (Loss) Per Share, including goodwill and deferred tax asset charges <sup>(1)</sup> | (2.48)           | 0.23      |
| Core Earnings (Loss) Per Share, excluding goodwill and deferred tax asset charges <sup>(1)</sup> | (0.32)           | N/A       |

(1) For the purposes of the 2011 Business Plan, core earnings per share represented projected earnings per share adjusted for the after-tax effect of bargain purchase gain, accreted interest income, certificates of deposit yield adjustment and one-time expenses related to the acquisition of Downers Grove National Bank, equity-based compensation and the amortization of intangible expenses. The definition did not contemplate goodwill impairment charges or reserves for deferred tax assets.

**Review of the Chief Financial Officer.** The Human Resources Committee met outside the presence of management to review the performance of the Chief Financial Officer. Because of its decision not to award cash incentive compensation to any named executive officers, including the Chief Financial Officer, for the year ended December 31, 2011, or to increase the base compensation of the Company's three most highly compensated named executive officers, including the Chief Financial Officer, in 2012, the Human Resources Committee did not utilize a performance- and risk-based incentive compensation matrix to evaluate the eligibility of the Chief Financial Officer for cash incentive compensation or an increase in base compensation. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Chief Financial Officer.

The performance- and risk-based incentive compensation matrix for the Chief Financial Officer has historically encompassed five separately weighted performance areas – core earnings per share (5%), internal controls (25%), asset quality – securities (30%), liquidity and interest rate risk (30%), and leadership and planning (10%), and has been used to arrive at the cash incentive compensation for which the Chief Financial Officer was eligible to receive as a percentage of base salary. For the matrix that was originally established for the year ended December 31, 2011, there were no predetermined numerical criteria for asset quality, leadership and planning or liquidity and interest rate risk. The predetermined criterion for internal controls was the absence of significant or material deficiencies. The core earnings per share target and the actual results of the year ended December 31, 2011 were the same as those that were established for the Chief Executive Officer, as reflected in the above table.

**Review of the Northern Regional President.** The Human Resources Committee met outside the presence of management to review the performance of the Northern Regional President. Because of its decision not to award cash incentive compensation to any named executive officers, including the Northern Regional President, for the year ended December 31, 2011, the Human Resources Committee did not utilize a performance- and risk-based incentive compensation matrix to evaluate the eligibility of the Northern Regional President for cash incentive compensation.

---

## **Table of Contents**

The performance-and risk-based incentive compensation matrix for the Northern Regional President has historically encompassed six weighted performance areas – customer service (25%), asset quality (25%), loan growth (15%), deposit growth (15%), internal controls (10%) and leadership and planning (10%), and has been used to arrive at the cash incentive compensation for which the Northern Regional President was eligible to receive as a percentage of base salary. For the matrix that was originally established for the year ended December 31, 2011, there were no predetermined numerical criteria for asset quality, loan growth, deposit growth or leadership and planning. The Human Resources Committee further concluded that, consistent with the Company’s general base compensation practices for 2012, a 2.5% base compensation increase was appropriate for the Regional President in 2012. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Northern Regional President.

**Review of Other Named Executive Officers.** The Human Resources Committee met outside the presence of management to review the performance of the other named executive officers of the Company. The Human Resources Committee noted that the Chief Executive Officer had submitted assessments of the performance of the other named executive officers of the Company to the Human Resources Committee. The Human Resources Committee reviewed and evaluated the information provided by the Chief Executive Officer.

**Review of Executive Vice President – General Counsel.** Because of its decision not to award bonuses to any named executive officers, including the Executive Vice President – General Counsel, for the year ended December 31, 2011, or to increase the base compensation of the Company’s three most highly compensated named executive officers in 2012, including the Executive Vice President – General Counsel, the Human Resources Committee did not award cash incentive compensation to, or increase the base compensation of, the Executive Vice President – General Counsel. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Executive Vice President – General Counsel.

**Review of Executive Vice President – Marketing and Sales.** Because of its decision not to award bonuses to any named executive officers, including the Executive Vice President – Marketing and Sales, for the year ended December 31, 2011, the Human Resources Committee did not award cash incentive compensation to the Executive Vice President – Marketing and Sales. The Human Resources Committee further concluded that, consistent with the Company’s general base compensation practices for 2012, a 2.5% base compensation increase was appropriate for the Executive Vice President – Marketing and Sales. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Executive Vice President – Marketing and Sales.

### **Reasonableness of Compensation**

After considering all components of the compensation program for the named executive officers, the Human Resources Committee has determined that such compensation is reasonable and appropriate.

The incentive compensation programs for the Chief Executive Officer, the Chief Financial Officer and the Regional Presidents include both asset quality and internal control risk measurements. Similar controls exist within the incentive compensation plans for non-executive officers and employees of the Company, as applicable. In addition, the measurement and review of the asset quality and internal controls performance are separated from the applicable business operations, including audits by the Company’s Internal Audit Division, the Company’s independent external audit firm and other third-party independent reviews. Finally, the overall system of internal controls is robust and provides multiple levels of controls to reasonably detect and prevent instances of excessive risk taking within the organization.

### **Tax and Accounting Treatment**

**Section 162(m) of the Internal Revenue Code.** Section 162(m) of the Internal Revenue Code limits the tax deduction to \$1 million for compensation paid to certain executive officers of public companies. The limitations on the deductibility of executive compensation imposed under Section 162(m) did not affect the Company during 2011 because the compensation paid to the Company’s executive officers in 2011 did not exceed these limitations.

## **Table of Contents**

The 2006 EIP provides the Human Resources Committee with flexibility to address issues that may arise under Section 162(m), and contains provisions that could be utilized to reduce its potential adverse effects.

**Code Section 409A.** The Human Resources Committee has monitored regulatory developments under Section 409A of the Internal Revenue Code, which was enacted as part of the American Jobs Creation Act of 2004 and deals with specific tax rules for non-qualified deferred compensation plans. The Company previously revised certain provisions in its employment agreements with the Chief Executive Officer, the other named executive officers and certain other officers to address Section 409A and the final Treasury Regulations under Section 409A. The 2006 EIP provides the Human Resources Committee with flexibility to address issues that may arise under Section 409A, and contains provisions that could be utilized to reduce its potential adverse effects.

**Other Taxation Issues.** The Human Resources Committee believes that, as the Company's compensation structures become more complex, the effects of the alternative minimum tax and other taxation issues could affect the net intended effect of the Company's compensation plans. Although no specific action is warranted at this time, the Human Resources Committee intends to monitor the effects of the alternative minimum tax and other taxation issues on the Company and its directors, officers and associates when evaluating various compensation principles, practices and plans.

**Accounting for Stock-Based Compensation.** Accounting Standards Codification Topic No. 718, Compensation-Stock Compensation (ASC Topic 718), requires companies to record the compensation cost for stock options, restricted stock and other equity-based compensation arrangements that are provided to employees in return for employment service. The cost is based on the grant date fair value, and this cost is expensed over the requisite service period, which is normally the vesting period of the award. ASC Topic 718 applies to awards granted or modified in years beginning in 2006 and thus applies to awards granted pursuant to the 2006 EIP. The Human Resources Committee evaluates the potential adverse impact of ASC Topic 718 on future compensation expense when determining the size and types of awards to be granted under the 2006 EIP.

### **HUMAN RESOURCES COMMITTEE REPORT**

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in BankFinancial Corporation's Annual Report on Form 10-K for the year ended December 31, 2011.

This report has been provided and is respectfully submitted by the Human Resources Committee:

Joseph A. Schudt, Chairman

John M. Hausmann

Glen R. Wherfel

**Table of Contents****EXECUTIVE COMPENSATION**

The following table sets forth information concerning the compensation of the Company's Chief Executive Officer, Chief Financial Officer and the Company's other three most highly compensated executive officers who served in such capacities during 2011:

**Summary Compensation Table**

| Name and Principal Position   | Year | Salary     | Bonus  | Non-Equity                  |              |                              | All Other Compensation <sup>(2)</sup> | Total Compensation |
|---|------|------------|--------|-----------------------------|--------------|------------------------------|---------------------------------------|--------------------|
|   |      |            |        | Incentive Plan Compensation | Stock Awards | Option Awards <sup>(1)</sup> |                                       |                    |
| F. Morgan Gasior<br>Chairman of the Board,<br>Chief Executive Officer<br>and President      | 2011 | \$ 405,804 | \$     | \$                          | \$           | \$                           | \$ 39,877                             | \$ 445,681         |
|   | 2010 | 405,804    |        |                             |              |                              | 43,330                                | 449,134            |
|   | 2009 | 403,520    |        |                             |              |                              | 42,610                                | 446,130            |
| Paul A. Cloutier<br>Executive Vice President<br>and Chief Financial<br>Officer              | 2011 | \$ 269,009 | \$     | \$                          | \$           | \$                           | \$ 34,878                             | \$ 303,887         |
|   | 2010 | 259,046    |        |                             |              |                              | 43,551                                | 302,597            |
|   | 2009 | 257,588    |        | 20,724                      |              |                              | 43,235                                | 321,547            |
| James J. Brennan<br>Executive Vice President,<br>Corporate Secretary and<br>General Counsel | 2011 | \$ 321,891 | \$     | \$                          | \$           | \$                           | \$ 30,171                             | \$ 352,062         |
|   | 2010 | 309,969    |        |                             |              |                              | 37,984                                | 347,953            |
|   | 2009 | 308,224    | 50,000 |                             |              |                              | 37,661                                | 395,885            |
| Christa N. Calabrese<br>Regional President  | 2011 | \$ 226,807 | \$     | \$                          | \$           | \$                           | \$ 25,549                             | \$ 252,356         |
|   | 2010 | 226,807    |        | 12,000                      |              |                              | 31,482                                | 270,289            |
|   | 2009 | 225,530    |        | 18,145                      |              |                              | 32,002                                | 275,677            |
| Gregg T. Adams<br>Executive Vice President,<br>Marketing and Sales                          | 2011 | \$ 225,000 | \$     | \$                          | \$           | \$                           | \$ 25,630                             | \$ 250,630         |
|   | 2010 | 225,000    | 14,000 |                             |              |                              | 31,311                                | 270,311            |
|   | 2009 | 221,678    | 22,500 |                             |              |                              | 30,959                                | 275,137            |

(1) On September 2, 2011, the Board extended the expiration date of certain outstanding stock options held by the named executive officers to September 5, 2012. The incremental fair value of the stock option extension was calculated in accordance with ASC Topic 718 and deemed immaterial. The assumptions used in calculating these amounts are set forth in Note 13 to our Financial Statements for the year ended December 31, 2011, which is located on pages 115 through 117 of our Annual Report on Form 10-K.

(2) All other compensation for the named executive officers during fiscal 2011 is summarized below:

| Name                 | Perquisites <sup>(i)</sup> | Insurance <sup>(ii)</sup> | Tax Reimbursement <sup>(iii)</sup> | 401(k) Match | ESOP Contribution <sup>(iv)</sup> | Total All Other Compensation |
|----------------------|----------------------------|---------------------------|------------------------------------|--------------|-----------------------------------|------------------------------|
| F. Morgan Gasior     | \$ 19,131                  | \$ 2,486                  | \$ 1,620                           | \$ 7,350     | \$ 9,290                          | \$ 39,877                    |
| Paul A. Cloutier     | \$ 15,525                  | \$ 1,643                  | \$ 1,070                           | \$ 7,350     | \$ 9,290                          | \$ 34,878                    |
| James J. Brennan     | \$ 10,335                  | \$ 1,935                  | \$ 1,261                           | \$ 7,350     | \$ 9,290                          | \$ 30,171                    |
| Christa N. Calabrese | \$ 6,503                   | \$ 1,457                  | \$ 949                             | \$ 7,350     | \$ 9,290                          | \$ 25,549                    |
| Gregg T. Adams       | \$ 6,600                   | \$ 1,447                  | \$ 943                             | \$ 7,350     | \$ 9,290                          | \$ 25,630                    |

- (i) Includes use of an automobile or an automobile allowance, and in the case of Messrs. Gasior, Cloutier and Brennan, club dues.
- (ii) Consists of premiums paid by the Company during the fiscal year with respect to additional short- and long-term disability insurance for each named executive officer. Certain amounts were paid by the executive and reimbursed by the Company under employment agreement provisions that reduce, on a dollar-for-dollar basis, the Bank's obligations under such executive's employment agreement in the event of the executive's death or disability by the amount of insurance proceeds received by the executive's named beneficiary.
- (iii) Reflects reimbursement for income and employment taxes incurred by the executive as a result of the insurance premiums paid by the executive and reimbursed by the Company. See note (ii) above and discussion below for additional information.
- (iv) Includes the Bank's contribution to the executive's ESOP account plus any amounts reallocated as a result of forfeitures by terminated ESOP participants.

**Table of Contents****Plan-Based Awards**

The following table sets forth for the year ended December 31, 2011 certain information as to grants of plan-based awards for the named executive officers under the terms of the Executive Incentive Compensation Plan. For the year ended December 31, 2011, no payments were made. Please refer to the Summary Comparison Table for details.

| Name                                | Grant Date | Estimated Future/Possible Payouts Under Non-Equity Incentive Plan Awards |           |           | All Other Option Awards: Number of Securities Underlying Options <sup>(2)</sup> | Exercise or Base Price of Option Awards | Grant Date Fair Value of Stock and Option Awards <sup>(2)</sup> |
|-------------------------------------|------------|--|-----------|-----------|---|---|---|
|                                     |            | Threshold  | Target    | Maximum   |   |   |   |
| F. Morgan Gasior <sup>(1)</sup>     | 9/2/11     | \$   | \$ 20,290 | \$ 40,580 | 200,000   | \$ 17.62                                | \$  |
|                                     | 9/2/11     |  |           |           | 100,000   | 14.82                                   |   |
| Paul A. Cloutier <sup>(1)</sup>     | 9/2/11     | \$   | \$ 13,450 | \$ 26,901 | 85,000  | \$ 17.62                                | \$  |
|                                     | 9/2/11     |  |           |           | 66,000  | 14.82                                   |   |
| James J. Brennan                    | 9/2/11     |  |           |           | 85,000  | \$ 17.62                                | \$  |
|                                     | 9/2/11     |  |           |           | 80,667  | 14.82                                   |   |
| Christa N. Calabrese <sup>(1)</sup> | 9/2/11     | \$   | \$ 11,340 | \$ 22,681 | 85,000  | \$ 17.62                                | \$  |
|                                     | 9/2/11     |  |           |           | 51,334  | 14.82                                   |   |
| Gregg T. Adams                      | 9/2/11     |  |           |           | 85,000  | \$ 17.62                                | \$  |

(1) On an annual basis, Messrs. Gasior, Cloutier and Ms. Calabrese are eligible to receive incentive cash payments under the Executive Incentive Compensation Plan. Messrs. Brennan and Adams do not participate in the plan.

(2) On September 2, 2011, the Board extended the expiration date of certain outstanding stock options held by the named executive officers to September 5, 2012. The incremental fair value of the stock options was calculated in accordance with ASC Topic 718 and deemed immaterial. The assumptions used in calculating these amounts are set forth in Note 13 to our Financial Statements for the year ended December 31, 2011, which is located on pages 115 through 117 of our Annual Report on Form 10-K.



**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information concerning the exercisable and unexercisable stock options at December 31, 2011 held by the individuals named in the summary compensation table. On September 2, 2011, the Human Resources Committee and the Board of Directors of the Company approved a one year extension of stock options granted in prior years that were scheduled to expire in September and December 2011. The extension only involved the expiration date of the stock options and did not affect their other terms.

| Name                 | # of Securities<br>Underlying<br>Unexercised<br>Options<br>Exercisable | Option Awards                    |                           |
|----------------------|--|----------------------------------|---------------------------|
|                      |  | Option<br>Exercise<br>Price (\$) | Option<br>Expiration Date |
| F. Morgan Gasior     | 125,000  | \$ 17.62                         | 9/5/2012                  |
|                      | 75,000   | 17.62                            | 9/5/2012                  |
|                      | 100,000  | 14.82                            | 9/5/2012                  |
| Paul A. Cloutier     | 85,000   | \$ 17.62                         | 9/5/2012                  |
|                      | 60,000   | 14.82                            | 9/5/2012                  |
|                      | 6,000  | 14.82                            | 9/5/2012                  |
| James J. Brennan     | 85,000   | \$ 17.62                         | 9/5/2012                  |
|                      | 80,667   | 14.82                            | 9/5/2012                  |
| Christa N. Calabrese | 85,000   | \$ 17.62                         | 9/5/2012                  |
|                      | 46,667   | 14.82                            | 9/5/2012                  |
|                      | 4,667  | 14.82                            | 9/5/2012                  |
| Gregg T. Adams       | 85,000   | \$ 17.62                         | 9/5/2012                  |

**Option Exercises and Stock Vested During 2011**

No options were exercised by and no restricted stock awards vested for the named executive officers during 2011.

**Table of Contents****Potential Payments upon Termination or Change of Control**

The following table sets forth information concerning potential payments and benefits under the Company's compensation programs and benefit plans to which the named executive officers would be entitled upon a termination of employment as of December 31, 2011. As is more fully described below, the named executive officers entered into employment agreements with the Company and/or the Bank, as applicable (each, an Employment Agreement), which provide for payments and benefits to a terminating executive officer following a termination other than for cause or by resignation. In addition, award agreements under the 2006 EIP (the Award Agreements) provide for the accelerated vesting of unvested awards in similar circumstances, and in addition, upon the occurrence of a change of control of the Company. Except for the payments and benefits provided by the Employment Agreements and the Award Agreements, all other payments and benefits provided to any named executive officer upon termination of his or her employment are the same as the payments and benefits provided to other eligible executives of the Bank. For purposes of estimating the value of certain equity awards, the Company has assumed a price per share of the Company's common stock of \$5.52, which was the closing price of the Company's common stock on December 30, 2011, the last trading day of the year.

| Executive            | Potential Payments Upon Termination or Change of Control | Termination by the Bank |                               |                              | Other Types of Termination |                                |                           | Change of Control <sup>(3)</sup> |
|----------------------|--|-------------------------|-------------------------------|------------------------------|----------------------------|--------------------------------|---------------------------|----------------------------------|
|                      |  | For Cause               | For Disability <sup>(1)</sup> | Without Cause <sup>(2)</sup> | By Resignation             | For Good Reason <sup>(2)</sup> | Upon Death <sup>(1)</sup> |                                  |
| F. Morgan Gasior     | Cash payments  | \$                      | \$ 920,409                    | \$ 1,222,478                 | \$                         | \$ 1,222,478                   | \$ 920,409                | \$ 1,222,478                     |
|                      | Accelerated Equity Awards Continued Benefits             |                         | 15,368                        | 20,491                       |                            | 20,491                         | 15,368                    | 20,491                           |
| Paul A. Cloutier     | Cash payments  | \$                      | \$ 622,982                    | \$ 824,079                   | \$                         | \$ 824,079                     | \$ 622,982                | \$ 824,079                       |
|                      | Accelerated Equity Awards Continued Benefits             |                         | 25,338                        | 33,784                       |                            | 33,784                         | 25,338                    | 33,784                           |
| James J. Brennan     | Cash payments  | \$                      | \$ 756,605                    | \$ 1,022,435                 | \$                         | \$ 1,022,435                   | \$ 756,605                | \$ 1,022,435                     |
|                      | Accelerated Equity Awards Continued Benefits             |                         | 15,368                        | 20,491                       |                            | 20,491                         | 15,368                    | 20,491                           |
| Christa N. Calabrese | Cash payments  | \$                      | \$ 532,738                    | \$ 731,712                   | \$                         | \$ 731,712                     | \$ 532,738                | \$ 731,712                       |
|                      | Accelerated Equity Awards Continued Benefits             |                         | 11,820                        | 15,760                       |                            | 15,760                         | 11,820                    | 15,760                           |
| Gregg T. Adams       | Cash payments  | \$                      | \$ 288,600                    | \$ 288,600                   | \$                         | \$ 288,600                     | \$ 288,600                | \$ 288,600                       |
|                      | Accelerated Equity Awards Continued Benefits             |                         | 8,538                         | 8,538                        |                            | 8,538                          | 8,538                     | 8,538                            |

- (1) For each named executive officer, except Mr. Adams, cash payments include an amount equal to the average cash incentive compensation paid during the preceding two years prorated for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary the executive would have received from the date of termination through the end of his/her employment period. The cash payments for Mr. Adams include a prorated annual cash incentive compensation for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary he would have received from the date of termination through the end of his employment period. The intrinsic value of accelerated equity awards is zero for all named executive officers based on the closing stock price on December 30, 2011 of \$5.52. Continued benefits reflect the incremental cost of core benefits to the Company during the executive's remaining employment period based on actual cost for 2011. Excludes any reduction in benefit as a result of disability insurance or federal social security disability payments.
- (2) For each named executive officer, except Mr. Adams, cash payments include an amount equal to the average cash incentive compensation paid during the preceding two years prorated for the year of termination, prorated employer matching 401(k) contribution, and three times the executive's three-year average cash compensation. The cash payments for Mr. Adams includes a prorated annual cash incentive compensation for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary he would have received from the date of termination through the end of his employment period. The intrinsic value of accelerated equity awards is zero for all named executive officers based on the closing stock price on December 30, 2011 of \$5.52. Continued benefits reflect the incremental cost of core benefits to the Company for 36 months based on the actual cost for 2011 except for Mr. Adams, whose continued benefits reflect the incremental cost of core benefits to the Company during his remaining employment period.
- (3) The payments reflected in this column assume the executive terminated for good reason in connection with a change of control. For each named executive officer, except Mr. Adams, cash payments include an amount equal to the average cash incentive compensation paid during the preceding two years prorated for the year of termination, prorated employer matching 401(k) contribution, and three times the executive's three-year average cash compensation. The cash payments for Mr. Adams includes a prorated annual cash incentive compensation for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary he would have received from the date of termination through the end of his employment period. The intrinsic value of accelerated equity awards is zero for all named executive officers based on the closing stock price on December 30, 2011 of \$5.52. Continued benefits reflect the incremental cost of core benefits to the Company for 36 months based on the actual cost for 2011 except for Mr. Adams, whose continued benefits reflect the incremental cost of core benefits to the Company during his remaining employment period. If applicable, executive severance benefits are reduced to avoid constituting an excess parachute payment under Section 280G of the Internal Revenue Code. No reduction in benefits was required as of the assumed December 31, 2011 termination date.



---

**Table of Contents**

***Accrued Pay and Regular Retirement Benefits.*** The amounts shown in the table on the previous page do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment. These include:

Accrued but unpaid salary and vacation pay.

Distributions of plan balances under the Bank's 401(k) plan and its ESOP. See 401(k) Plan and Employee Stock Ownership Plan and Trust on page 23 for an overview of the 401(k) and the ESOP.

The value of option continuation upon retirement, death or disability. Except as may be provided in connection with a change of control, when an employee terminates employment other than for cause and prior to retirement, death or disability, his or her vested stock options will remain exercisable for a period of three months following termination. When an employee is terminated for cause, his or her stock options, whether vested or unvested, are terminated immediately. When a retirement-eligible employee terminates employment, or when an employee dies or becomes disabled, his or her vested stock options remain exercisable for 12 months following the date of his or her termination.

***Acceleration of Vesting upon a Change of Control.*** Upon the occurrence of a change of control of the Company, unless otherwise stated in an award agreement, all outstanding options and Stock Appreciation Rights (SARs) then held by a participant, including each of the named executive officers, who is employed by, or providing services to, the Company or its subsidiaries at the time of such change of control will become fully exercisable and all stock awards or cash incentive awards shall be fully earned and vested (subject to limitations on performance-based awards). Any such options or SARs, the vesting of which is accelerated upon the occurrence of a change of control, shall remain exercisable in accordance with their terms. The Company has not awarded any SARs under the 2006 EIP.

***Employment Agreements.*** The Bank entered into employment agreements with each of Messrs. Gasior, Brennan, Cloutier, and Adams in 2003. In addition, in August 2004, the Bank entered into an employment agreement with Ms. Calabrese that is substantially similar to the agreements for the other four named executive officers. The employment agreements with Messrs. Gasior, Cloutier, Brennan and Adams and Ms. Calabrese were amended and restated in May 2008, principally to ensure compliance with Section 409A of the Internal Revenue Code. Each employment agreement had an initial term of 36 months (other than Mr. Adams' employment agreement, which had an initial term of 24 months) that can be extended each year for an additional year, at the discretion of the Board of Directors.

The Board of Directors of the Bank most recently reviewed the Bank's employment agreements with Messrs. Gasior, Cloutier, Brennan, and Adams, and Ms. Calabrese. On March 28, 2012, the Board of Directors approved the extension of the terms of the Bank's employment agreements with Messrs. Gasior, Cloutier, and Brennan, and Ms. Calabrese through March 31, 2015, and the extension of the Bank's employment agreement with Mr. Adams through March 31, 2014.

Under the employment agreements, the Bank will pay the executive officers the base salary as reflected in the Bank's payroll records, subject to discretionary increases by the Board of Directors. The 2011 base salaries for Messrs. Gasior, Cloutier, Brennan and Adams were \$405,804, \$271,998, \$325,468 and \$225,000, respectively, and the 2011 base salary for Ms. Calabrese was \$226,807. The employment agreements provide that the base salary may be increased but not decreased. The employment agreements also provide that the executive officer will receive the use of an automobile or an automobile allowance and the payment of designated club dues, provided that, in a given year, these payments may not, in the aggregate, exceed ten percent of the executive officer's cash compensation. The employment agreements further provide that the executive officer is entitled to participate with other executive officers in non-equity short-term incentive compensation and discretionary non-equity bonuses declared by the Board. In addition to base salary and bonus, the employment agreements provide for, among other things, participation in a Section 125 cafeteria plan, group medical, dental, vision, disability and life insurance plans, referred to as the core plans, 401(k) plan, the ESOP and other employee and fringe benefits applicable to executive personnel.

---

**Table of Contents**

During the employment period, each executive officer is provided with a supplemental disability insurance policy that pays 60% of base salary for the remaining term of the agreement in the event the executive officer is terminated due to disability. If an executive officer becomes disabled, his or her base salary will be reduced proportionately by the disability payments made under the disability policy and under the federal social security system. Each executive officer is responsible for paying the premiums but receives an annual allowance in an amount sufficient, on an after-tax basis, to equal the premium payments. In the event of termination of employment due to disability, the executive officer will be entitled to his or her earned salary, an amount equal to the annual average of any cash incentive compensation and bonus that the executive officer received during the preceding two fiscal years, except for Mr. Adams who would receive an amount equal to the cash incentive compensation he would receive during the current year. The executive officer will receive the prorated employer matching 401(k) plan contribution that the executive officer would be entitled to receive for the current year. In addition, the executive officer will be entitled to the base salary the executive officer would have been paid through the date the employment period would have expired if the executive officer's employment had not been sooner terminated due to disability, which will be reduced on a dollar-for-dollar basis by the disability insurance and federal social security disability payments referenced above, and continued coverage under the core plans through the date the employment period would have expired, subject to the executive officer's continued payment of the costs and contributions for which he or she is responsible. After their continued coverage under the core plans expires, Messrs. Gasior, Cloutier, Brennan and Adams and Ms. Calabrese may elect to continue their health care coverage at their sole expense and without any cost to the Bank until they become eligible for Medicare coverage or for coverage under another employer's group health plan.

In addition to the life insurance benefits provided to regular full-time employees, a supplemental life insurance policy was historically provided to each insurable executive officer in an amount not less than three times the executive officer's base salary. In May 2007, the Bank purchased bank-owned life insurance insuring the lives of certain officers, including the executive officers. The purchase of bank-owned life insurance enabled the Bank to eliminate the separate life insurance policies on all executive officers except Mr. Gasior in 2007, and on Mr. Gasior on January 1, 2009.

In the event the executive officer's employment is terminated due to death, his or her surviving spouse and minor children, if any, will be entitled to the same coverage under the core plans that the executive officer would have been provided if his or her employment had terminated due to disability. In addition, the executive officer's estate or trust, as applicable, will be entitled to the base salary the executive officer would have been paid through the date the employment period would have expired if the executive officer's employment had not been sooner terminated due to death. If a supplemental life insurance policy has been obtained on the life of the executive officer, the Bank's obligation to make such payments will be reduced on a dollar-for-dollar basis by the death benefit payments under any supplemental life insurance policy purchased for an executive officer. Except with respect to continued coverage under the core plans and the ability to elect to continue health care coverage under the core plans for an additional period at no cost to the Bank, the Bank will generally have no obligation to pay or provide an executive officer's estate, surviving spouse, or minor children with any other compensation or benefits on account of the executive officer's death.

In the event the executive officer's employment is terminated without cause by the Bank, the executive officer will receive his or her earned salary, prorated incentive compensation, accrued plan contribution, continued coverage under the core plans for 36 months, except for Mr. Adams, whose continued coverage would be during the remaining employment period, subject to the executive officer's payment of costs and contributions for which he or she is responsible, the ability to continue health care coverage thereafter at his or her sole expense, and an amount equal to three times his or her average annual compensation, with the exception of

---

**Table of Contents**

Mr. Adams who would be paid his base salary from the effective date of termination through the date the employment period would have expired. Payment of benefits will be made in a single lump sum, except for Mr. Adams' will be made in equal installments.

Under the employment agreements, the executive officer may terminate his or her employment for "Good Reason" by giving notice within 60 days after the event giving rise to the right to terminate employment. Good Reason generally includes (i) the Bank's decision not to re-elect or failure to re-elect the executive officer to his or her present position; (ii) with the exception of Mr. Adams, the Bank's failure to extend the executive officer's employment period on the anniversary date for an additional year; (iii) the relocation of the executive officer's principal place of employment by more than a specified distance; (iv) the reduction in the executive officer's base salary or a material reduction in benefits to which the executive officer is entitled; (v) the liquidation or dissolution of the Bank or the Company; (vi) the Bank's material uncured breach of the employment agreement; and (vii) with the exception of Mr. Adams, the occurrence of a "Change of Control" as such term is defined in the 2006 EIP. With respect to Mr. Gasior's employment agreement, "Good Reason" also includes the failure to elect or re-elect him as Chairman of the Board of Directors of the Bank, a change in the composition of the Board of Directors of the Bank such that the current directors no longer constitute a majority of the board other than in certain circumstances where the new board is nominated or appointed by the existing board, or a significant reduction in the scope of his duties, powers, privileges, authority or responsibilities. In the event an executive officer's employment is terminated for Good Reason, he or she will receive the same amounts, the same coverage under the core plans and the same health insurance coverage continuation rights that he or she would have received if his or her employment had been terminated without cause. An executive officer who terminates his or her employment by resignation other than due to Good Reason will only be entitled to his or her earned salary and vacation through the date of termination.

The executive officer is required under the employment agreement to execute a general release in consideration for any severance amounts. The executive officer also agrees not to compete with the Bank or its affiliates for six months after termination or during the period that severance amounts are paid, if longer. In addition, the executive officer agrees not to solicit the Bank's customers, their business or the Bank's employees for eighteen months, which may be reduced in certain circumstances. Payment of amounts due the executive officers under the employment agreements will generally be made in a single lump sum, or in the case of Mr. Adams, in equal installments with the exception upon death and will be reduced as may be necessary to avoid constituting an "excess parachute payment" under Section 280G of the Internal Revenue Code.

In October 2008, the Company entered into employment agreements with Messrs. Gasior, Cloutier and Brennan. The employment agreements have three-year terms and, except as discussed below, are otherwise substantially similar to the respective employment agreements that these individuals have with the Bank. The Board of Directors of the Company most recently reviewed the Company's employment agreements with Messrs. Gasior, Cloutier and Brennan and approved the extension of their terms through March 31, 2015.

The Company does not separately compensate Messrs. Gasior, Cloutier or Brennan for their services to the Company, except for awards made by the Company under the 2006 EIP. Instead, the Bank pays and provides their cash compensation and benefits (other than benefits under the 2006 EIP), and allocates a portion of this expense to the Company pursuant to an intercompany expense sharing arrangement in proportion to the time and services that they provide to the Company. The employment agreements between the Company and Messrs. Gasior, Cloutier and Brennan thus provide that any cash compensation and benefits that become simultaneously due under both their employment agreements with the Company and their employment agreements with the Bank will be subtracted from those due Messrs. Gasior, Cloutier and Brennan under their respective employment agreements with the Company. The payments and benefits (other than benefits under the 2006 EIP) that each of Messrs. Gasior, Cloutier and Brennan will receive under his employment agreement with the Company if his employment is terminated without cause, for Good Reason or due to death or disability are the same as those provided for in their respective employment agreements with the Bank.

---

**Table of Contents**

The primary material differences between the Company's employment agreements with Messrs. Gasior, Cloutier and Brennan and their respective employment agreements with the Bank are that their employment agreements with the Company provide for indemnification under Maryland law (the Company's state of incorporation) rather than applicable federal law, and further provide that, upon the termination of employment based on the occurrence of a Change of Control as that term is defined in the 2006 EIP, (i) all payments that would otherwise be payable in a series of installments instead will generally be paid in a single lump sum within five business days of the date of termination; (ii) the restricted periods applicable to the non-competition and non-solicitation covenants set forth in their respective employment agreements with the Company and their employment agreements with the Bank will be reduced to six months and the scope of the competitive restrictions will be limited to those that existed immediately prior to the Change of Control; and (iii) all obligations that may become due simultaneously under both the Company's employment agreements with Messrs. Gasior, Cloutier and Brennan and their respective employment agreements with the Bank will first be provided under their employment agreements with the Company. The Company employment agreements do not impose a limit on the compensation that would be payable to Messrs. Gasior, Cloutier or Brennan upon the occurrence of a Change of Control to avoid an "excess parachute payment" under Section 280G of the Internal Revenue Code. However, the payments and benefits that would become due to Messrs. Gasior, Cloutier and Brennan upon the occurrence of a Change of Control currently would not result in any "excess parachute payments" based on their current and historic compensation levels and the relevant terms of their Company employment agreements.

**Compensation of Directors**

**Directors' Fees.** All directors of the Company are also directors of the Bank. Except for Mr. Gasior, who receives no fees for serving as a director, committee chairperson or committee member, the directors of the Bank received an annual Board fee of \$2,000 per month for preparing for and attending meetings of the Board of Directors of the Bank during 2011. Except for the Audit Committee, the Bank did not pay its directors a separate fee during 2011 for serving on board committees. The members of the Audit Committee were paid an Audit Committee fee during 2011 because the Audit Committee is a required entity with separate responsibilities established by applicable laws and regulations. During 2011, the Bank paid an Audit Committee fee of \$1,000 per quarter to Mr. Hausmann (the Chairman of the Audit Committee), and \$800 per quarter to Mr. Wells (a member of the Audit Committee).

The Company did not separately compensate the members of its Board of Directors during 2011 for preparing for and attending meetings of the Board of Directors of the Company. A portion of the Board fees that the Bank paid to its directors, however, was allocated to the Company in the intercompany expense allocations that were made between the Company and the Bank during 2011. The Company paid an Audit Committee fee of \$800 per quarter to Mr. Koopmans during 2011 for serving on the Company's Audit Committee, but did not compensate the other members of the Audit Committee due to the Audit Committee fee that they received from the Bank. The Company also partially reimbursed Mr. Koopmans for his travel expenses for attending meetings of the Company's Board of Directors.

The Board of Directors fee and the Audit Committee fees for 2011 were unchanged from 2010. The Board fees for 2011 and Audit Committee fees for 2011 have been taken into account in the intercompany expense allocations between the Company and the Bank.

**Equity-Based Compensation.** The 2006 EIP established a mechanism by which awards of restricted stock or stock options could further align the financial interests of the directors of the Company and the Bank with stockholders and, in the future, provide an additional means to attract, retain and reward individuals who can and do contribute to the success of the Company. The Board of Directors granted long-term equity-based compensation awards (consisting of both restricted stock and stock options) to its members in 2006 and in 2007 and 2010 for Ms. Francis. The 2010 grant to Ms. Francis was awarded based on her years of service consistent with the director equity participation in the 2006 Equity Incentive Plan. Awards under the 2006 EIP were based in part on a member's experience and on each member's responsibilities as assigned by the Board of Directors.

**Table of Contents**

The Board of Directors also established share ownership guidelines for directors applicable both to personally-acquired shares and shares acquired through the 2006 EIP. In general, absent difficult personal financial circumstances, the Board of Directors encourages each director in office at least one year to hold a position in Company shares equal to at least 50% of a director's annual director's fees. At December 31, 2011, all eligible directors and all directors as a group significantly exceeded this ownership position. In addition, the Human Resources Committee encourages directors to retain all shares granted under the 2006 EIP. At December 31, 2011, the Company's directors retained 100% of their vested 2006 EIP restricted shares.

The table below provides information on 2011 compensation for directors who served in 2011.

| <b>Name</b>                        | <b>Fees Earned or Paid in Cash (\$)</b> | <b>Option Awards (\$)<sup>(1)</sup></b> | <b>Total (\$)</b> |
|------------------------------------|---|---|-------------------|
| Cassandra J. Francis               | \$ 24,000                               | \$                                      | \$ 24,000         |
| John M. Hausmann, C.P.A.           | \$ 28,000                               | \$                                      | \$ 28,000         |
| Sherwin R. Koopmans <sup>(2)</sup> | \$ 27,200                               | \$                                      | \$ 27,200         |
| Joseph A. Schudt                   | \$ 24,000                               | \$                                      | \$ 24,000         |
| Terry R. Wells                     | \$ 27,200                               | \$                                      | \$ 27,200         |
| Glen R. Wherfel, C.P.A.            | \$ 24,000                               | \$                                      | \$ 24,000         |

(1) On September 2, 2011, the expiration date of certain outstanding stock options held by the directors was extended to September 5, 2012. The incremental fair value of the stock option extension was calculated in accordance with ASC Topic 718 and deemed immaterial. The assumptions used in calculating these amounts are set forth in Note 13 to our Financial Statements for the year ended December 31, 2011, which is located on pages 115 through 117 of our Annual Report on Form 10-K.

(2) Mr. Koopmans is not standing for re-election at the Annual Meeting of Stockholders.

The table below shows each current non-employee director's outstanding equity awards as of December 31, 2011.

| <b>Name</b>                        | <b>Stock Awards</b> | <b>Option Awards Exercisable</b> |
|------------------------------------|---------------------|----------------------------------|
| Cassandra J. Francis               | 4,334               | 49,664                           |
| John M. Hausmann, C.P.A.           |                     | 78,664                           |
| Sherwin R. Koopmans <sup>(1)</sup> |                     | 66,664                           |
| Joseph A. Schudt                   |                     | 78,664                           |
| Terry R. Wells                     |                     | 70,664                           |
| Glen R. Wherfel, C.P.A.            |                     | 63,664                           |

(1) Mr. Koopmans is not standing for re-election at the Annual Meeting of Stockholders.

**Attendance at Annual Meetings of Stockholders**

Although the Company does not have a formal written policy regarding director attendance at annual meetings of stockholders, directors are requested to attend these meetings absent unavoidable scheduling conflicts. All of the Company's current directors attended the 2011 Annual Meeting of Stockholders.



---

**Table of Contents**

**ADVISORY VOTE**

***Proposal 3 - Advisory Vote on Executive Compensation.*** Pursuant to the rules and regulations of the SEC, the compensation of the Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers of the Company and Bank (collectively, the Named Executive Officers ) is described in detail in the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement, including the compensation tables and the accompanying narrative discussions.

At our 2011 Annual Meeting, we provided stockholders with the opportunity to vote on an advisory (non-binding) basis as to the frequency that stockholders would vote on a say-on-pay proposal, which gives stockholders the opportunity to endorse or not endorse, on an advisory, non-binding basis, the compensation paid to our Named Executive Officers. In light of the advisory vote of stockholders at our 2011 Annual Meeting, we determined to hold the say-on-pay advisory vote on an annual basis until the next frequency vote, which will occur no later than our 2017 Annual Meeting. Accordingly, stockholders have the opportunity to vote on an advisory (non-binding) resolution at the Annual Meeting to approve the compensation of our Named Executive Officers, as described in this proxy statement under Compensation Discussion and Analysis and the compensation tables and narrative disclosure.

We are asking you to indicate your support for the compensation of our Named Executive Officers as described in this Proxy Statement. This vote is not intended to address any specific item of executive compensation, but rather the overall compensation of our Named Executive Officers and the compensation policies and practices described in this Proxy Statement.

The say-on-pay proposal will be presented at the Annual Meeting in the form of the following resolution:

**RESOLVED**, that the compensation paid to the Company's Named Executive Officers, as disclosed in this Proxy Statement pursuant to Item 402 of Securities and Exchange Commission Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

**The Board of Directors recommends that the stockholders of the Company vote FOR this resolution.**

The Board of Directors believes that the Company's compensation policies and procedures appropriately encourage a culture of pay for performance, serve to attract and retain experienced, highly qualified executives who are critical to the Company's long term success, and align the compensation of the Named Executive Officers with the long term interests of the Company and its stockholders. Consistent with these objectives, and as discussed more fully in the Compensation Discussion and Analysis section of this Proxy Statement, no equity compensation, cash incentive compensation or bonuses were awarded to the Company's Named Executive Officers for the year ended December 31, 2011. In addition, the base compensation of the Company's three most highly compensated Named Executive Officers was not increased in 2012. Two Named Executive Officers received a 2.5% increase in base compensation in 2012, and two received a 5% increase in 2011.

The approval of this resolution requires the affirmative vote of a majority of the votes cast at the Annual Meeting, without regard to either broker non-votes or shares as to which the ABSTAIN box has been selected on the proxy card. At our 2011 Annual Meeting of Stockholders, over 94% of the advisory votes cast were for the approval of the compensation paid to the Company's Named Executive Officers. Our executive compensation programs have not changed materially from the programs that are described in the Compensation Discussion and Analysis section of the Proxy Statement for our 2011 Annual Meeting of Stockholders.

**Where no instructions are indicated, validly executed proxies will be voted FOR this resolution.**

The advisory vote on this resolution will not be binding on the Board of Directors or the Compensation Committee, and will not overrule their prior decisions with respect to the compensation that was paid or awarded to any Named Executive Officer or create or imply any additional fiduciary duty on the Board of Directors or the Human Resources Committee.

## **Table of Contents**

The Board of Directors and the Compensation Committee will review the voting results and take them into account when making future decisions on the compensation of the Company's Named Executive Officers, and will periodically review all material elements of the Company's executive compensation program and procedures to ensure that they continue to fulfill their objectives. Stockholders have an opportunity to vote annually on the compensation of the Company's Named Executive Officers.

### **COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

Any stockholder who wishes to contact the Board of Directors or an individual director may do so by writing to the Board of Directors or the individual director care of, BankFinancial Corporation, 15W060 North Frontage Road, Burr Ridge, Illinois 60527, Attention: James J. Brennan, Secretary. Each communication received will be reviewed by the Secretary and distributed to the Board of Directors or the individual director, as appropriate, depending on the facts and circumstances outlined in the communication. The Secretary may attempt to handle an inquiry directly or forward a communication to another employee of the Company for response. The Secretary also has the authority not to forward a communication to the Board of Directors or an individual director if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unduly hostile, threatening, illegal or otherwise inappropriate.

### **Transactions with Certain Related Persons**

Neither the Bank nor the Company had any outstanding extensions of credit as of December 31, 2011 to any executive officer or directors or to a related interest of a director or executive officer other than Ms. Francis. The Bank made certain secured real estate loans to Ms. Francis and her spouse prior to Ms. Francis' appointment as a director in 2006, and these loans were considered to be grandfathered from the Bank's practice of not making loans to directors or executive officers. This extension of credit was made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with persons not related to the Bank, does not involve more than normal risk of collectability or present other unfavorable features, and is not past due or classified as non-accrual, restructured or a potential problem loan. The Bank's Professional Responsibility Policy provides that no director or executive officer (as defined by the Bank's Board of Directors) may provide goods or services to the Bank or an affiliate (which includes the Company) unless approved by the disinterested majority of the Board of Directors after full disclosure and it is determined that the arrangement is fair and appropriate. In addition, all transactions between the Bank or its affiliates and a director or executive officer must be conducted on an arm's length basis, comply with all applicable laws and regulations and be on terms that are no more favorable to the director or executive officer than those afforded to similarly situated customers and vendors.

### **STOCKHOLDER PROPOSALS**

In order to be eligible for inclusion in the proxy materials for next year's annual meeting of stockholders, any stockholder proposal to take action at such meeting must be received at BankFinancial Corporation's executive office, 15W060 North Frontage Road, Burr Ridge, Illinois 60527, no later than 5:00 P.M., Chicago, Illinois Time, on January 23, 2013. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934, as amended, and the Company's Bylaws.

---

**Table of Contents**

**ADVANCE NOTICE OF BUSINESS TO BE CONDUCTED AT AN ANNUAL MEETING**

The Company's Bylaws provide an advance notice procedure for certain business, or nominations to the Board of Directors, to be brought before an annual meeting of stockholders. In order for a stockholder to properly bring business before an annual meeting, or to propose a nominee for election to the Board of Directors, the stockholder must give written notice to the Secretary of the Company not earlier than the 150th day nor later than 5:00 P.M., Chicago, Illinois Time, on the 120th day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 P.M., Chicago, Illinois Time, on the later of the 120th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. The notice must include:

As to each individual whom the stockholder proposes to nominate for election or re-election as a director,

- i the name, age, business address and residence address of such individual;
- i the class, series and number of any shares of stock of BankFinancial Corporation that are beneficially owned by such individual;
- i the date such shares were acquired and the investment intent of such acquisition; and
- i all other information relating to such individual that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended, and the rules thereunder (including such individual's written consent to being named in the Proxy Statement as a nominee and to serving as a director if elected);

As to any other business that the stockholder proposes to bring before the meeting, a description of such business, the reasons for proposing such business at the meeting and any material interest in such business of such stockholder and any Stockholder Associated Person (as defined in the Company's Bylaws), individually or in the aggregate, including any anticipated benefit to the stockholder and the Stockholder Associated Person therefrom;

As to the stockholder giving the notice and any Stockholder Associated Person, the class, series and number of all shares of stock of the Company which are owned by such stockholder and by such Stockholder Associated Person, if any, and the nominee holder for, and number of shares owned beneficially but not of record by such stockholder and by any such Stockholder Associated Person;

As to the stockholder giving the notice and any Stockholder Associated Person described above, the name and address of such stockholder, as they appear on the Company's stock ledger and current name and address, if different, and of such Stockholder Associated Person; and

To the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or re-election as a director or the proposal of other business on the date of such stockholder's notice.

Nothing in this Proxy Statement shall be deemed to require the Company to include in its Proxy Statement and proxy relating to an annual meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the SEC in effect at the time such proposal is received.



**Table of Contents**

Advance written notice for certain business, or nominations to the Board of Directors, to be brought before the next annual meeting of stockholders must be given to the Company no earlier than December 24, 2012 and no later than 5:00 P.M., Chicago, Illinois Time, on January 23, 2013. If notice is received before December 24, 2012 or after 5:00 P.M., Chicago, Illinois Time, on January 23, 2013, it will not be considered timely, and the Company will not be required to present the matter at the next annual meeting of stockholders.

**OTHER MATTERS**

The Board of Directors is not aware of any business to come before the Annual Meeting other than the matters described above in the Proxy Statement. However, if any other matters should properly come before the Annual Meeting, it is intended that the holders of the proxies will act as determined by a majority vote of those present and voting.

**MISCELLANEOUS**

The cost of solicitation of proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of common stock. The Company has also made arrangements with Phoenix Advisory Partners to assist it in soliciting proxies and has agreed to pay the firm a fee of \$7,500 plus reimbursable out-of-pocket expenses and telephone solicitation fees. In addition to solicitations by mail, directors, officers and regular employees of the Company and its subsidiaries may solicit proxies personally or by telephone, e-mail, the Internet, letter or facsimile without additional compensation.

**A COPY OF THE COMPANY S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2011 WILL BE FURNISHED WITHOUT CHARGE TO STOCKHOLDERS AS OF THE RECORD DATE UPON WRITTEN REQUEST TO BANKFINANCIAL CORPORATION, 15W060 NORTH FRONTAGE ROAD, BURR RIDGE, ILLINOIS 60527, ATTN: JAMES J. BRENNAN, SECRETARY.**

**BY ORDER OF THE BOARD OF DIRECTORS**

James J. Brennan

Secretary

Burr Ridge, Illinois

May 23, 2012

**Table of Contents**

**APPENDIX A**  
**BANKFINANCIAL CORPORATION**  
**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**  
**COMMITTEE CHARTER**

(Adopted by the Board of Directors on December 22, 2004)

**I. PURPOSE OF THE AUDIT COMMITTEE**

The Audit Committee shall be directly responsible for the appointment and dismissal, compensation, and oversight of the Company's Internal Auditor and independent auditor, and may not delegate any of such responsibilities to others. The Committee shall assist the Board in its oversight of:

The accuracy and completeness of the Company's financial statements and other significant written financial information provided by the Company to any regulatory organization or the public in compliance with all applicable laws and regulations;

The Company's auditing, accounting and financial reporting processes;

The Company's systems of internal controls regarding asset/liability management, lending, finance, deposit services and other risk exposures;

The Company's compliance with legal and regulatory requirements;

The retention and dismissal of the independent auditor as well as the review of the independent auditor's qualifications, engagements, compensation and performance;

The performance of the Company's internal audit function;

The adequacy of this charter and recommend any changes to the Board based on the advice of outside counsel concerning the current standards applicable to publicly-held corporate Audit Committees; and,

The assessment of the Committee's operational performance on an annual basis, with the assistance of its outside counsel, the independent auditor or other consultants as it deems appropriate. The Committee will provide its self-assessment and recommendations for any changes to the Board. The Committee shall also recommend any changes to its allocation of resources resulting from its performance self-assessment.

## Edgar Filing: BankFinancial CORP - Form DEF 14A

Provide an open avenue of communication among management, the Internal Auditor, the independent auditors, senior management and the Board of Directors.

The Committee does not prepare financial statements on behalf of the Company or perform the Company's audits, and its members are not the Company's auditors and do not certify the Company's financial statements. These functions are performed by the Company's management and independent auditor.

A - 1

## **Table of Contents**

### **II. MEMBERSHIP**

All members of the Audit Committee shall be independent of the Company management and free of any relationship that would compromise their exercise of independent judgment as Committee members. Each member of the Committee must satisfy all applicable qualification and independence requirements set forth in the rules and regulations of applicable regulatory organizations. The Committee shall monitor its continuing compliance with all membership requirements.

The responsibilities of a member of the Committee are in addition to responsibilities as a member of the Board and, accordingly, members receive additional compensation for Committee service.

### **III. FREQUENCY OF MEETINGS**

The Committee shall meet as frequently as necessary but no less than four times annually. The Committee shall also meet at the request of the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor or the independent auditor. The Board of Directors shall designate a Chairperson of the Committee. The Committee Chairperson shall approve an agenda in advance of each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of its meetings and activities.

The Committee shall, through its Chairperson, report regularly to the Board following the meetings of the Committee, addressing the matters designated by this Charter and such other related matters as the Committee may deem appropriate.

### **IV. AUTHORITY**

The Audit Committee may conduct or authorize investigations into any matters within the scope of this Charter. The Committee may also take any other action permitted by applicable laws, rules and regulations necessary to accomplish any action authorized by this charter.

The Committee may conduct meetings in executive session, with or without management, the Internal Auditor or the independent auditor (in each case, either individually or jointly) to effect the appropriate environment of communication and coordination for the Committee's purposes and responsibilities pursuant to this Charter.

The Committee may request reports from the Chief Executive Officer or Chief Financial Officer. The Committee may also retain (and has the sole discretion to determine the funding for) experts to advise or assist it, including outside counsel, accountants, financial analysts or others.

### **V. SCOPE OF COMMITTEE RESPONSIBILITIES**

The scope of Committee responsibilities is as follows:

#### **A. Financial Reporting Processes**

In consultation with the Internal Auditor and the independent auditors, review the accuracy and completeness of the Company's financial reporting processes, both internal and external, in compliance with all applicable laws and regulations. The review should include the adequacy and effectiveness of the accounting and financial controls of the Company and any recommendations by the independent or internal auditor for improvements or particular areas where new or more detailed controls or procedures are desirable;

Establish regular and separate systems of reporting to the Committee by management, the Internal Auditor and the independent auditor regarding any significant judgments or assumptions made in management's preparation of the financial statements and the appropriateness of such judgments;





**Table of Contents**

Inquire of management, Internal Auditor and the independent auditors about significant risks or exposures involving accounting policies, internal controls or compliance matters and assess the steps management has taken to minimize such risks;

Periodically consult with the Internal Auditor and the independent auditors without the presence of management about the system of internal controls and the completeness and accuracy of the Company's financial statements;

Receive written representations from management as to the integrity of the Company's internal controls and financial reporting systems and the conformity of the Company's financial statements with generally accepted accounting principles and applicable regulatory accounting principles;

Review any significant disagreement among management, the Internal Auditor and the independent auditors in connection with the preparation of the financial statements;

Consider and approve, if appropriate, material changes to the Company's accounting and auditing principles and practices as needed or as recommended by management, the Internal Auditor or the independent auditors.

**B. Conduct of Internal Auditing**

Review the internal audit function of the Company, including the annual audit plan as revised to incorporate adjustments due to changes in the business of the Company or arising from the cycle of internal controls review;

Review with the Internal Auditor and the independent auditors the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources;

Review the appointment, replacement, reassignment or dismissal of the Internal Auditor, the sufficiency of resources dedicated to the internal audit function and the independence of the Internal Auditor and internal audit function;

Review internal audit reports and management's responses thereto;

Receive written representation from the Internal Auditor that there were no significant difficulties encountered during the course of internal audits, including any restrictions on the scope of their work or access to required information;

Review the Internal Audit Division's compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

**C. Conduct of Independent Auditing**

Subject to ratification by shareholders, the Audit Committee shall have the sole authority to appoint or replace the independent auditors. The Audit Committee shall be directly responsible for the compensation of the independent auditors (for both the independent audit and approved non-audit services). The independent auditors shall report directly to the Audit Committee;

Edgar Filing: BankFinancial CORP - Form DEF 14A

Subject to the prohibitions in Exhibit A, approve all audit and non-audit services to be performed by the independent auditors prior to the performance of that work (including all fees and expenses);

Review the qualifications and experience of senior members of the independent audit team;

A - 3

## **Table of Contents**

Review and discuss with the independent auditors all significant relationships the independent auditors have with the Company to confirm independence. The Audit Committee shall also approve the hiring of employees or former employees of the independent auditor;

Review with the independent auditor any problems or difficulties in connection with the independent audit and management's response, review the independent auditor's attestation and report on management internal control report, and hold timely discussions with the independent auditors regarding the following: (1) all critical accounting policies and practices; (2) all alternative treatments of financial information within generally accepted accounting principles or regulatory accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatment, and the treatment preferred by the independent auditor; (3) other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences; and (4) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, discussing significant reporting issues and judgments made in connection with the preparation of the Company's financial statements;

Obtain and review annually a report by the independent auditor describing (1) the auditing firm's internal quality control procedures and (2) any material issues raised by its most recent quality control review or investigation within the preceding five years and steps taken to resolve those issues.

### **D. Conduct of Legal & Regulatory Compliance Management**

Review the Company's Code of Ethics & Business Conduct and recommend any changes or additions thereto;

Establish procedures whereby (1) officers and associates can confidentially and anonymously submit to the Committee concerns or issues regarding the Company's accounting or auditing principles and practices and (2) the tracking of the receipt, retention and treatment of such complaints is effected by the Internal Audit Division for direct reporting to the Committee;

Review the effectiveness of the Company's regulatory compliance program, including any changes to policies or practices recommended by management, the Internal Auditor, the independent auditors or outside counsel;

Review all regulatory examination reports, management responses and any matters concerning resolution activities that the Internal Auditor believes appropriate for the Committee's attention;

Review with the Company's outside legal counsel any legal matters that may materially affect the Company's financial statements or public filings and reports;

Review related party transactions consistent with all regulatory requirements, including the procedures with respect to expense account management and use of corporate assets by directors, officers and associates;

At least annually, assess any emerging accounting or regulatory issues that may have a material effect on the Company's financial statements or public filings and reports in the future.

### **E. Public Filings & Reports**

## Edgar Filing: BankFinancial CORP - Form DEF 14A

Review the Company's quarterly and annual SEC filings, including the financial statements, Management Discussion & Analysis information and management certifications with the Chief Executive Officer, Chief Financial Officer, the Internal Auditor and the independent auditors;

A - 4

**Table of Contents**

Review earnings press releases and information provided to analysts and rating agencies;

Review reports or other financial information, as deemed necessary and appropriate, prior to submission to the applicable regulatory organization or to the public;

Submit an annual report of the Committee to shareholders in the Company's Proxy Statement as required by the U.S. Securities and Exchange Commission.

**VI. CONCLUSION**

The Committee is to serve as an independent and objective party to monitor the Company's financial reporting process and system of internal controls on behalf of the Board and shareholders. While maintaining its independence and integrity at all times, the Committee must also provide an open avenue of communication among management, the Internal Auditor, the independent auditors and the Board of Directors to properly fulfill its mission.

**EXHIBIT A - PROHIBITED NON-AUDIT SERVICES**

The following services may not be provided by the independent auditor contemporaneously with the audit:

Bookkeeping or other services related to the accounting records or financial statements of the Company;

Financial information systems design and implementation;

Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

Actuarial services;

Internal audit outsourcing services;

Management functions or human resources;

Broker or dealer, investment advisor, or investment banking services;

Legal services and expert services unrelated to the audit;

Any other service that the Public Company Accounting Oversight Board determines is impermissible.

**Table of Contents**

**APPENDIX B**  
**BANKFINANCIAL CORPORATION**  
**CORPORATE GOVERNANCE & NOMINATING COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**COMMITTEE CHARTER**

(Adopted by the Board of Directors on February 24, 2010)

**I. PURPOSE OF THE COMMITTEE**

The Corporate Governance & Nominating Committee shall be directly responsible for recruitment and evaluation of incumbent and new candidates for election to the Board of Directors.

**II. MEMBERSHIP**

The Board shall appoint the members of the Corporate Governance & Nominating Committee annually. All members of the Committee shall be independent of the Company's management and free of any relationship that would compromise their exercise of independent judgment as Committee members. Directors eligible for re-nomination during the current calendar year are not eligible for appointment as members of the Committee for the current year. Each member of the Committee must satisfy all applicable qualification and independence requirements set forth in the rules and regulations of applicable regulatory organizations.

**III. FREQUENCY OF MEETINGS**

The Committee shall meet as frequently as necessary but no less than annually. The Committee shall also meet at the request of the Chief Executive Officer or a majority of the Board of Directors. The Board of Directors shall designate a Chairperson of the Committee. The Committee Chairperson shall approve an agenda in advance of each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of its meetings and activities.

The Committee shall, through its Chairperson, report regularly to the Board following the meetings of the Committee, addressing the matters designated by this Charter and such other related matters as the Committee may deem appropriate.

**IV. AUTHORITY**

The Committee may conduct or authorize investigations into any matters within its scope of this Charter. The Committee may also take any other action permitted by applicable laws, rules and regulations necessary to accomplish any action authorized by this charter.

The Committee may conduct meetings in executive session with members of the Board of Directors or new candidates (in each case, either individually or jointly) to effect the appropriate environment of communication and coordination for the Company's control environment.

The Committee may request reports from the Chief Executive Officer or General Counsel. The Committee may also retain (and determine the funding for) experts to advise or assist it, including outside counsel, search firms or other advisors, and the Company must provide sufficient funding for any such assistance.





**Table of Contents**

**V. SCOPE OF COMMITTEE RESPONSIBILITIES**

The scope of Corporate Governance & Nominating Committee responsibilities is as follows:

**A. Board of Directors Candidate Evaluation**

Determine whether candidates meet the minimum qualifications for election pursuant to the Company's Charter, Section 1.09 of the Company's Bylaws and all applicable laws and regulations to which the Company is subject, including the determination whether an existing or proposed Board member meets all standards of independence established by applicable regulatory organizations;

Determine whether the background, experience and expertise of any candidate to the Board of Directors is in the long-term interests of stockholders. In its sole discretion, the Committee may consider the current composition of the Board of Directors and its Committees, the number of directors meeting all independence standards imposed by applicable regulatory organizations, present and future business activities and plans, the representation of the diverse communities and geographies served by the Company and any other factors the Committee deems appropriate.

**B. Corporate Governance Compliance**

Facilitate and coordinate all meetings of independent directors required by all regulatory organizations. The Committee may appoint one or more independent directors as liaisons to non-independent directors, management or stockholders as it deems appropriate;

Coordinate and report to the Board of Directors an annual evaluation of the Board's performance;

Review director compensation and recommend any changes to the Board of Directors;

Review the suitability of this Charter and the Company's corporate governance practices and recommend any changes to the Board of Directors;

At least annually, assess any emerging legal or regulatory issues that may have a material effect on the Company's corporate governance policies, practices or reports in the future.

**VI. LEAD DIRECTOR**

The Chairperson of the Committee shall serve as the Lead Director of the Board of Directors. The Lead Director will call and preside at all executive sessions or special meetings of the Board's outside, independent directors and provide feedback to the Chief Executive Officer regarding the same; work with the Chairpersons of the other Committees of the Board to ensure coordinated coverage of Board's duties and responsibilities; serve as a supplemental point of contact for Board members and stockholders; serve as a liaison between the Board's outside, independent Directors who are not considered independent under applicable legal standards; coordinate the implementation of this Charter, including the annual Board performance evaluation for herein; and execute such other duties and responsibilities as the Board may establish.

**VII. UNIVERSAL AGENDA ACCESS**

Any member of the Board of Directors may place an item on the Agenda for any regular or special meeting of the Board of Directors by notifying the Chief Executive Officer or the Secretary of the same at least three business days before the scheduled date of the meeting.

B - 2

**Table of Contents**

**VIII. CONCLUSION**

The Committee is to serve as an independent and objective party to monitor the Company's corporate governance practices and facilitate the effective governance of the Company based on its evaluation of the composition and conduct of the Board of Directors.

B - 3

**Table of Contents**

**APPENDIX C**  
**BANKFINANCIAL CORPORATION**  
**HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS**  
**COMMITTEE CHARTER**

**(Adopted by the Board of Directors on January 30, 2008)**

**I. PURPOSE OF THE COMMITTEE**

The Human Resources Committee shall be directly responsible for the execution of the Board's responsibilities with respect to compensation, performance evaluation and succession planning for the Company's Chief Executive Officer and principal executive officers. (The term "principal executive officers" are those individuals covered by Section 16 of the Securities and Exchange Act of 1934.) The Committee is also responsible for the submission of the annual report on executive compensation to the Board of Directors for inclusion into the Company's Annual Proxy Statement.

**II. MEMBERSHIP**

The Board shall appoint the members of the Committee annually. All members of the Committee shall be independent of the company management and free of any relationship that would compromise their exercise of independent judgment as Committee members. Each member of the Committee must satisfy all applicable qualification and independence requirements set forth in the rules and regulations of applicable regulatory organizations.

**III. FREQUENCY OF MEETINGS**

The Committee shall meet as frequently as necessary but no less than annually. The Committee shall also meet at the request of the Chief Executive Officer or a majority of the Board of Directors. The Board of Directors shall designate a Chairperson of the Committee. The Committee Chairperson shall approve an agenda in advance of each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of its meetings and activities.

The Committee shall, through its Chairperson, report regularly to the Board following the meetings of the Committee, addressing the matters designated by this Charter and such other related matters as the Committee may deem appropriate.

**IV. AUTHORITY**

The Committee may conduct or authorize investigations into any matters within its scope of this Charter. The Committee may also take any other action permitted by applicable laws, rules and regulations necessary to accomplish any action authorized by this Charter.

The Committee may conduct meetings in executive session with members of the Board of Directors or the principal executive officers (in each case, either individually or jointly) to effect the appropriate environment of communication and coordination for the Company's control environment.

The Committee may request reports from the Chief Executive Officer, Chief Financial Officer, General Counsel and Executive Vice President Human Resources. The Committee may also retain (and determine the funding for) experts to advise or assist it, including outside counsel, search firms or other advisors, and the Company must provide sufficient funding for any such assistance.



**Table of Contents**

**V. SCOPE OF COMMITTEE RESPONSIBILITIES**

The scope of Human Resources Committee responsibilities is as follows:

**A. Executive Compensation**

Review and approve base compensation, cash incentive compensation, equity incentive compensation, non-standard employment benefits / perquisites, and employment or severance agreements for the Chief Executive Officer and principal executive officers.

**B. Management Sufficiency**

Review annually the current state of management sufficiency and succession planning within the Company for key risk areas and report any recommended changes to the Board of Directors.

**C. Reporting**

Submit a report to the Board on executive compensation for inclusion in the Company's Annual Proxy Statement as required by all applicable laws and regulations of regulatory organizations;

Review the suitability of this Charter and recommend any changes to the Board of Directors;

At least annually, assess any emerging accounting, legal or regulatory issues that may have a material effect on the Company's executive compensation practices or reports in the future.

**VI. CONCLUSION**

The Committee is to serve as an independent and objective party to monitor the Company's corporate governance practices relating to human resources matters and facilitate the effective oversight of executive compensation, management sufficiency and succession planning of the Company. The Committee will meet periodically throughout the year to execute its responsibilities and issue reports of its activities for use by the Board of Directors and Shareholders.

**Table of Contents**

**Electronic Voting Instructions**

**You can vote by Internet or telephone!**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on June 26, 2012.**

**Vote by Internet**

Log on to the Internet and go to  
**www.investorvote.com**

Follow the steps outlined on the secured website.

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada any time on a touch tone telephone. There is **NO CHARGE** to you for the call.

Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. X

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

**A Proposals** The Board of Directors recommends a vote FOR all the nominees listed in Proposal 1 and FOR Proposal 2.

|   |  |  |                 |
|---|--|--|-----------------|
| <p>1. To elect three directors for a three-year term and until their successors are duly elected and qualify:<br/>                 01 - Cassandra J. Francis    02 - Thomas F. O Neill<br/>                 03 - Terry R. Wells</p> | <p>2. To ratify the engagement of Crowe Horwath LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2012.</p> | <p>For    Against    Abstain</p> <p>..       ..       ..</p> | <p><b>+</b></p> |
|---|--|--|-----------------|

..    Vote FOR all nominees    ..  
WITHHOLD vote for all nominees

01    02    03

..    For All EXCEPT    ..    ..    ..

The Board of Directors recommends a vote FOR Proposal 3.    3. An advisory, non-binding resolution to approve our executive compensation.

For    Against    Abstain  
 ..       ..       ..

In their discretion, the proxies are authorized to vote on any other business that may properly come before the Annual Meeting or any adjournments or postponements thereof as permitted by law.

**B Non-Voting Items**

**Change of Address** Please print new address below.

**C Authorized Signatures** This section must be completed for your vote to be counted. Date and Sign Below

The undersigned acknowledge(s) receipt from the Company, prior to the execution of this proxy, of a Notice of the Annual Meeting of Stockholders, a Proxy Statement dated May 23, 2012 and the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Please sign exactly as your name(s) appear(s) on this card. When signing as attorney, executor, administrator, trustee or guardian, please give full title. If shares are held jointly, the signature of any joint holder is required. A proxy executed by a corporation or other legal entity should be signed in its name by an authorized officer.

Date (mm/dd/yyyy) Please print date below.                      Signature 1 Please keep signature within the box.                      Signature 2 Please keep signature within the box.

/                      /



**Table of Contents**

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.q

Our Proxy Statement for the 2012 Annual Meeting and our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, together with the accompanying form of proxy, are available online at [www.RRDEZProxy.com/2012/BankFinancial](http://www.RRDEZProxy.com/2012/BankFinancial). Directions to the Annual Meeting are available in the Proxy Statement.

**Proxy BANKFINANCIAL CORPORATION**

**Proxy for Annual Meeting of Stockholders**

**June 26, 2012**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF BANKFINANCIAL CORPORATION.**

The person(s) granting this proxy, whose signature(s) appear(s) on the reverse side of this proxy, hereby appoint(s) John M. Hausmann, Joseph A. Schudt and Glen R. Wherfel and each of them, with full power of substitution, acting by a majority of those present and voting, or if only one is present and voting, then that one, to act as attorneys and proxies for the person(s) granting this proxy to vote all shares of common stock of BankFinancial Corporation (the Company) which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company (the Annual Meeting), to be held on Tuesday, June 26, 2012 at 11:00 a.m., Chicago, Illinois Time, at the Holiday Inn Chicago-Willowbrook-Hinsdale, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, and any adjournments or postponements thereof, with all the powers the undersigned would possess if present.

**THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR ALL DIRECTOR NOMINEES LISTED ON THE REVERSE SIDE OF THIS PROXY, FOR THE RATIFICATION OF THE**

**ENGAGEMENT OF CROWE HORWATH LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY AND FOR THE ADVISORY NON-BINDING RESOLUTION TO APPROVE OUR EXECUTIVE COMPENSATION. THE UNDERSIGNED HEREBY REVOKES ANY PROXY OR PROXIES HERETOFORE GIVEN TO VOTE SUCH SHARES AT SAID MEETING OR AT ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.**

**This proxy continues and must be signed on the reverse side.**

**Thank you for voting.**