BankFinancial CORP
Form 424B3
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PROSPECTUS

BANKFINANCIAL CORPORATION

(Proposed Holding Company for BankFinancial, F.S.B.)

Up to 24,466,250 Shares of Common Stock

BankFinancial Corporation, a Maryland corporation, is offering shares of common stock for sale in connection with the conversion of BankFinancial MHC, Inc. from the mutual to the stock form of organization. All shares of common stock are being offered for sale at a price of $10.00 per share. Shares of our common stock have been approved for trading on the Nasdaq National Market under the symbol BFIN.

We are offering up to 21,275,000 shares of common stock for sale on a best efforts basis. We may sell up to 24,466,250 shares of common stock because of demand for the shares or changes in market conditions, without resoliciting subscribers. We must sell a minimum of 15,725,000 shares in order to complete the offering.

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

First, to depositors of BankFinancial, F.S.B. with aggregate account balances of at least $50 on March 31, 2003.

Second, to BankFinancial, F.S.B. s tax-qualified employee benefit plans.

Third, to depositors of BankFinancial, F.S.B. with aggregate account balances of at least $50 on March 31, 2005.

Fourth, to depositors of BankFinancial, F.S.B. as of April 10, 2005 and to borrowers of BankFinancial, F.S.B. as of January 1, 1999 whose borrowings remained outstanding as of April 10, 2005.

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a syndicated community offering managed by Sandler O Neill & Partners, L.P.

The minimum number of shares of common stock you may order is 25 shares. The offering is expected to expire at 12:00 noon, Central time, on May 16, 2005. We may extend this expiration date without notice to you until June 30, 2005, unless the Office of Thrift Supervision approves a later date, which may not be beyond June 8, 2007. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond June 30, 2005, or the number of shares of common stock to be sold is increased to more than 24,466,250 shares or decreased to less than 15,725,000 shares. If the offering is extended beyond June 30, 2005, or if the number of shares of common stock to be sold is increased to more than 24,466,250 shares or decreased to less than 15,725,000 shares, we will promptly return, with interest, all funds previously delivered to us to purchase shares of common stock in the offering, and subscribers may be resolicited with the approval of the Office of Thrift Supervision. Funds received during the offering will be held in a segregated account at BankFinancial, F.S.B. or another insured depository institution and will earn interest at our passbook savings rate.

Sandler O Neill & Partners, L.P. will assist us in selling shares of our common stock on a best efforts basis. Sandler O Neill & Partners, L.P. is not required to purchase any shares of the common stock that are being offered for sale. Purchasers will not pay a commission to purchase shares of common stock in the offering.

This investment involves a degree of risk, including the possible loss of your investment.

Please read Risk Factors beginning on page 18.

TERMS OF THE OFFERING

Price: $10.00 per Share

	Minimum	Maximum	Adjusted Maximum
Number of shares	15,725,000	21,275,000	24,466,250
Gross offering proceeds	$ 157,250,000	$ 212,750,000	$ 244,662,500
Estimated offering expenses	$ 2,670,230	$ 3,129,770	$ 3,394,010
Estimated net proceeds	$ 154,579,770	$ 209,620,230	$ 241,268,490
Estimated net proceeds per share	$ 9.83	$ 9.85	$ 9.86

These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Sandler O Neill & Partners, L.P.

The date of this prospectus is April 15, 2005.

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ABOUT THIS PROSPECTUS

The words we, our and other similar references are intended to refer to BankFinancial MHC, Inc. and its subsidiaries (including BankFinancial Corporation, a federal corporation, and BankFinancial, F.S.B.) when relating to matters and time periods prior to the completion of the conversion and the offering, and to refer to BankFinancial Corporation, a Maryland corporation, and its subsidiaries (including BankFinancial, F.S.B.) when referring to matters and time periods after completion of the conversion and the offering. In addition, unless otherwise indicated, references to BankFinancial Corporation mean BankFinancial Corporation, the Maryland corporation.

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SUMMARY

The following summary highlights selected information in this prospectus. It may not contain all the information that is important to you. For additional information, you should read this entire prospectus carefully, including the consolidated financial statements and the notes to the consolidated financial statements.

BankFinancial, F.S.B.

BankFinancial, F.S.B. is a full-service, community-oriented savings bank with total assets of $1.493 billion, total net loans of $1.092 billion and total deposits of $1.116 billion at December 31, 2004. We provide financial services to individuals, families and businesses through our 16 full-service banking offices, located in Cook, DuPage, Lake and Will Counties, Illinois. Originally organized in 1924, BankFinancial, F.S.B. reorganized into the mutual holding company structure in January 1999. BankFinancial, F.S.B. is currently the wholly owned subsidiary of BankFinancial Corporation, a federal corporation, which is the wholly owned subsidiary of BankFinancial MHC, Inc., a federal mutual holding company.

BankFinancial, F.S.B. s business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in multi-family mortgage loans, nonresidential real estate loans, commercial and construction loans and commercial leases, as well as one- to four-family residential mortgage loans and agency securities and mortgage-backed securities. In addition, we sell variable annuities and securities through our Wealth Management Group, and we sell title insurance, property and casualty insurance, fixed annuities and other insurance products through Financial Assurance Services, one of our two wholly-owned subsidiaries. We design our service delivery channels to suit the needs of our customers, with an emphasis on delivering services electronically and on-demand at our customers convenience.

BankFinancial, F.S.B. s executive offices are located at 15W060 North Frontage Road, Burr Ridge, Illinois 60527. Our telephone number at this address is (800) 894-6900. Our website address is www.bankfinancial.com.

BankFinancial Corporation

BankFinancial Corporation is a newly-formed Maryland corporation that will own all of the outstanding shares of common stock of BankFinancial, F.S.B. upon completion of the mutual-to-stock conversion and the offering. BankFinancial Corporation has not engaged in any business to date.

Our executive offices are located at 15W060 North Frontage Road, Burr Ridge, Illinois 60527. Our telephone number at this address is (630) 242-7700.

Our Organizational Structure

In January 1999, BankFinancial, F.S.B. s mutual predecessor reorganized into the mutual holding company form of organization by forming BankFinancial MHC, Inc. BankFinancial MHC owns 100% of the outstanding shares of common stock of BankFinancial Corporation, a federal corporation. BankFinancial MHC is a mutual holding company that has no stockholders. BankFinancial Corporation, a federal corporation, owns 100% of the outstanding shares of common stock of BankFinancial, F.S.B. BankFinancial Corporation, a federal corporation, has not issued shares of stock to the public.

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Pursuant to the terms of BankFinancial MHC s plan of conversion and reorganization, BankFinancial MHC will convert from a mutual holding company to the stock holding company corporate structure. As part of the conversion, we are offering for sale in a subscription offering, and, if necessary, a community offering and a syndicated community offering, shares of common stock of BankFinancial Corporation, a Maryland corporation. Upon the completion of the conversion and offering, BankFinancial MHC and BankFinancial Corporation, the federal corporation, will cease to exist.

Business Strategy

Our primary business strategy for the past five years has been to transform BankFinancial, F.S.B. from a traditional savings bank to a multi-faceted financial institution with a diversified balance sheet and enhanced capabilities in commercial banking products and services, while expanding our geographic presence in the Chicago metropolitan area and developing managerial and technological resources and infrastructure capable of supporting future growth. In pursuing these objectives, we improved the composition of our deposits, expanded our multi-family and commercial real estate lending, and implemented additional commercial lending and leasing capabilities and product lines. We also added expertise in information technology and expanded our mergers and acquisitions capabilities. In November 2001, we acquired Success Bancshares and its wholly owned subsidiary, Success National Bank. The following represent the major results of our business strategy as of December 31, 2004.

- We increased multi-family mortgage loans, nonresidential real estate loans, construction and land loans and commercial loans and leases to $728.2 million, or 66.2% of our total loan portfolio at December 31, 2004, compared to $125.0 million, or 13.1% of our total loan portfolio at December 31, 2000. As a result, our allowance for loan losses increased to 1.00% of total loans, compared to 0.78% of total loans at December 31, 2000. Our ratio of nonperforming loans to total loans was 0.59% at December 31, 2004, and 0.72% at December 31, 2000.

- We increased our commercial demand deposits to $61.9 million, or 5.5% of total deposits at December 31, 2004, compared to $18.8 million, or 2.2% of total deposits at December 31, 2000, through targeted marketing programs and the acquisition of Success Bancshares.

- We increased our core deposits (savings, money market, noninterest bearing demand and NOW accounts) to $675.4 million, or 60.5% of total deposits, at December 31, 2004, compared to $306.1 million, or 36.6% of total deposits, at December 31, 2000 through new product development, marketing and the acquisition of Success Bancshares.

- We added nine branch offices in Chicago and its northern and western suburbs, as well as new capabilities in merchant processing and business cash management, through our acquisition of Success Bancshares, *de novo* branching and internal development.

- We reduced our total Federal Home Loan Bank funding by $19.2 million since December 31, 2000, even though we assumed $53.7 million of Federal Home Loan Bank advances in 2001 through our acquisition of Success Bancshares.

- We reduced our future funding costs in 2003 by restructuring $170.0 million of Federal Home Loan Bank borrowings and retiring $15.0 million of subordinated debt underlying the 8.95% trust preferred securities that we assumed through our acquisition of Success Bancshares.

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We added title insurance capabilities to our existing property and casualty, life and disability insurance operations at our subsidiary, Financial Assurance Services.

We believe that these actions will facilitate our investment of the net proceeds of the offering. We intend to continue to pursue our business strategy after the conversion and the offering, subject to changes necessitated by future market conditions and other factors. We also intend to focus on the following:

Expanding our banking franchise through acquisitions and branching. We will attempt to use the net proceeds from the offering, as well as our new stock holding company structure, to expand our market footprint through acquisitions of banks, savings institutions and other financial service providers in the Chicago metropolitan area and through limited *de novo* branching. We plan to explore acquisition opportunities involving other banks and thrifts, and possibly financial service companies, when and as they arise, as a means of supplementing internal growth, filling gaps in our current geographic footprint and expanding our customer base, product lines and internal capabilities. We may also consider establishing *de novo* branches or acquiring financial institutions in other Midwestern states. We will attempt to identify institutions that we believe will fit well with our current franchise objectives and corporate culture.

We have no current arrangements or agreements to acquire other banks, thrifts and financial service companies or branch offices. However, we have had, and intend to continue to have, discussions with local financial institutions to determine whether they would be interested in exploring the possibility of our acquiring them after the offering is completed and we have sufficient capital resources to fund an acquisition. In addition, we have participated in, and intend to continue to participate in, sales processes initiated on behalf of local financial institutions that have made a decision to explore the possibility of a sale. We also have explored, and intend to continue to explore, the possibility of acquiring financial service companies, including leasing companies and insurance agencies, and engaging in limited *de novo* branching. We are presently investigating the feasibility of establishing a small number of *de novo* branches in the Chicago metropolitan area, but have no current plans to engage in extensive *de novo* branching, and we have no current arrangements or agreements, and have filed no regulatory applications, to establish *de novo* branches. There can be no assurance that we will be able to consummate any acquisitions or establish any new branches. See Risk Factors Our Ability to Successfully Conduct Acquisitions Will Affect Our Ability to Grow Our Franchise and Compete Effectively in Our Marketplace.

Growing our loan portfolio and emphasis on business banking. We intend to continue to emphasize the origination of higher interest margin multi-family mortgage loans, nonresidential real estate loans, construction and land loans and commercial loans and leases as market conditions, federal regulations and other factors permit. We also intend to continue to expand our commercial banking capabilities by adding experienced commercial bankers to our team, with a particular emphasis on individuals with commercial and industrial lending experience, and to enhance our direct marketing efforts to local businesses.

Maintaining the quality of our loan portfolio. Maintaining the quality of our loan and lease portfolio is a key factor in managing our growth. We will continue to use customary risk management techniques, such as independent internal and external loan reviews, risk-focused portfolio credit analysis and field inspections of collateral in overseeing the performance of our loan portfolio.

Achieving efficient growth by leveraging our existing operational and management resources. We have invested significant resources in developing a management team and a technological infrastructure that are capable of managing a larger asset and deposit base than we currently have. As a result, we have residential, commercial and consumer loan departments staffed with experienced professionals who are capable of promoting the continued growth and oversight of our loan portfolio, and we intend to approach future growth opportunities with a view toward achieving improved economies of scale.

Increasing our noninterest income by diversifying products and services. We have sought to supplement our interest income by increasing our fee income from new products and services. We will attempt to improve our noninterest income by continuing to offer wealth management services (variable annuities and securities), fixed annuities, property, casualty, life and disability insurance products, and title insurance products and services.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview of Financial Condition and Results of Operations Significant Strategic Initiatives and Impact on Results of Operations for a further discussion of our business strategy.

Impact on Our Results of Operations

Certain actions that we have taken have adversely impacted our results of operations for the years ended December 31, 2004 and 2003. Specifically, we restructured $170.0 million of Federal Home Loan Bank borrowings in July 2003 to reduce our future funding costs, maintain better protection against changes in market interest rates and increase our flexibility in pricing deposits. The restructuring resulted in a prepayment penalty, which caused us to incur significant expense for the early extinguishment of debt during the year ended December 31, 2003 and to record yield adjustment amortization expense during years ended December 31, 2004 and 2003, as described below. We also incurred non-cash impairment losses during the years ended December 31, 2004 and 2003 due to our determination that certain declines in the fair value of floating rate preferred stocks issued by two government sponsored entities, Fannie Mae and Freddie Mac, that are part of our investment portfolio constituted other-than-temporary impairments under the applicable Securities and Exchange Commission Staff Accounting Bulletin.

We had net income of $1.5 million for the year ended December 31, 2004 compared to a net loss of $9.6 million for the year ended December 31, 2003. The 2004 results were negatively affected by $2.5 million in yield adjustment amortization expense, pre-tax, relating to the prepayment penalty that we incurred in our restructuring $170.0 million of Federal Home Loan Bank borrowings in July 2003. In addition, we recorded $8.8 million in impairment losses, pre-tax, on our Fannie Mae and Freddie Mac floating rate preferred stocks due to our application of Securities and Exchange Commission Staff Accounting Bulletin No. 59 (SAB No. 59) to these securities. See Business of BankFinancial, F.S.B. Securities Activities Equity Securities. Combined, the yield adjustment amortization expense relating to the prepayment penalty and the impairment losses relating to the Fannie Mae and Freddie Mac floating rate preferred stocks reduced net income for the year ended December 31, 2004 by $6.8 million, after-tax (based on a combined effective federal and state tax rate of 39.75%).

We incurred a net loss of $9.6 million for the year ended December 31, 2003, compared to net income of $5.0 million for the year ended December 31, 2002. The net loss for the year ended December 31, 2003 was due in part to $8.3 million of expense, pre-tax, for the early extinguishment of debt and $4.1 million in yield adjustment amortization expense, pre-tax, relating to the prepayment penalty that we incurred in restructuring the Federal Home Loan Bank borrowings in July 2003, and $12.5 million in impairment losses, pre-tax, that we recorded during 2003 on our Fannie Mae and Freddie Mac floating rate preferred stocks due to the application of SAB No. 59 to these securities. See Business of BankFinancial, F.S.B. Securities Activities Equity Securities. Combined, the expense for the early extinguishment of debt and the and yield adjustment amortization expense relating to the prepayment penalty, and the impairment losses relating to the Fannie Mae and Freddie Mac floating rate preferred stocks, reduced net income for the year ended December 31, 2003 by $15.3 million, after-tax (based on a combined effective federal and state tax rate of 38.74%).

For a more complete discussion of our financial condition and results of operations, see Management s Discussion and Analysis of Financial Condition and Results of Operations, including the subsection entitled Overview of Financial Condition and Results of Operations.

Reasons for the Conversion

Our primary reasons for converting and raising additional capital through the offering are:

- to provide additional financial resources to pursue future acquisition opportunities and limited *de novo* branching opportunities as discussed above in Business Strategy Expanding our banking franchise through acquisitions and branching. We have no current arrangements or agreements to acquire other banks, thrifts and financial service companies or branch offices, and we have no current arrangements or agreements, and have filed no regulatory applications, to establish *de novo* branches;

- to support our internal growth through lending in communities we serve or may serve in the future;

- to enhance our existing products and services and to support the development of new products and services;

- to improve our overall competitive position;

- to repay term debt we incurred in acquiring Success Bancshares and in funding the redemption of the trust preferred securities that we assumed from Success Bancshares;

- to provide better capital management tools, including the ability to pay dividends and to repurchase shares of our common stock; and

- to retain and attract qualified personnel by establishing stock benefit plans for management and employees, including a stock option plan, a stock recognition and retention plan and an employee stock ownership plan.

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Terms of the Conversion and the Offering

Under BankFinancial MHC s plan of conversion and reorganization, our organization will convert to a fully public form of holding company structure. In connection with the conversion, we are offering between 15,725,000 and 21,275,000 shares of common stock to eligible depositors and borrowers of BankFinancial, F.S.B., to our employee benefit plans and, to the extent shares remain available, to the general public. The number of shares of common stock to be sold may be increased up to 24,466,250 as a result of demand for the shares or changes in the market for financial institution stocks. Unless the number of shares of common stock to be offered is increased to more than 24,466,250 or decreased to less than 15,725,000, or the offering is extended beyond June 30, 2005, subscribers will not have the opportunity to change or cancel their stock orders.

The purchase price of each share of common stock to be issued in the offering is $10.00. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock. Sandler O Neill & Partners, L.P., our marketing advisor in the offering, will use its best efforts to assist us in selling shares of our common stock. Sandler O Neill is not obligated to purchase any shares of common stock in the offering.

Persons Who May Order Shares of Common Stock in the Offering

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

(1) First, to depositors of BankFinancial, F.S.B. with aggregate account balances of at least $50 on March 31, 2003.

(2) Second, to BankFinancial, F.S.B. s tax-qualified employee benefit plans.

(3) Third, to depositors of BankFinancial, F.S.B. with aggregate account balances of at least $50 on March 31, 2005.

(4) Fourth, to depositors of BankFinancial, F.S.B. as of April 10, 2005 and to borrowers of BankFinancial, F.S.B. as of January 1, 1999 whose borrowings remained outstanding as of April 10, 2005.

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to natural persons residing in the Illinois Counties of Cook, DuPage, Lake and Will. The community offering may begin concurrently with, during or promptly after the subscription offering as we may determine at any time. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a syndicated community offering managed by Sandler O Neill & Partners, L.P.

We have the right to accept or reject, in our sole discretion, orders received in the community offering or syndicated community offering. We have not established any set criteria for determining whether to accept or reject a purchase order in the community offering or the syndicated community offering, and, accordingly, any determination to accept or reject purchase orders in the community offering and the syndicated community offering will be based on the facts and circumstances known to us at the time.

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If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. Shares will be allocated first to categories in the subscription offering. A detailed description of share allocation procedures can be found in the section entitled The Conversion; Plan of Distribution.

How We Determined the Offering Range and the $10.00 Per Share Offering Price

The amount of common stock that we are offering is based on an independent appraisal of the estimated market value of BankFinancial Corporation, assuming the conversion and the offering are completed. RP Financial, LC., our independent appraiser, has estimated that, as of April 1, 2005, this market value ranged from $157.3 million to $212.8 million, with a midpoint of $185.0 million. Based on this valuation and a $10.00 per share price, the number of shares of common stock being offered for sale by us will range from 15,725,000 shares to 21,275,000 shares. The $10.00 per share price was selected primarily because it is the price most commonly used in mutual-to-stock conversions of financial institutions. RP Financial s appraisal is based in part on our financial condition and results of operations, the effect of the additional capital raised by the sale of shares of common stock in the offering and an analysis of a peer group of ten publicly traded savings bank and thrift holding companies that RP Financial considered comparable to us.

The following table presents a summary of selected pricing ratios for BankFinancial Corporation and our peer group companies identified by RP Financial. Our pro forma price-to-core earnings multiple is based on earnings for the year ended December 31, 2004, while information for the peer group companies is based on earnings for the year ended December 31, 2004 or the latest available trailing twelve-month period. Compared to the average pricing of the peer group, our pro forma pricing ratios at the maximum of the offering range indicated a premium of 75.1% on a price-to-core earnings basis, a discount of 40.7% on a price-to-book value basis and a discount of 43.6% on a price-to-tangible book value basis. The pricing ratios result from our generally having higher levels of equity but lower earnings than the companies in the peer group on a pro forma basis. Our board of directors, in reviewing and approving the valuation, considered the range of price-to-core earnings multiples and the range of price-to-book value ratios and price-to-tangible book value ratios at the different amounts of shares to be sold in the offering. The appraisal did not consider one valuation approach to be more important than the other. Instead, the appraisal concluded that these ranges represented the appropriate balance of the two approaches to valuing BankFinancial Corporation, and the number of shares to be sold, in comparison to the identified peer group institutions. Specifically, in approving the valuation, the board believed that BankFinancial Corporation would not be able to sell its shares at a price-to-book value that was in line with the peer group without unreasonably exceeding the peer group on a price-to-core earnings basis. The estimated appraised value and the resulting premium/discount took into consideration the potential financial impact of the conversion and offering.

	Pro forma price-to-core earnings multiple	Pro forma price-to-book value ratio	Pro forma price-to-tangible book value ratio
BankFinancial Corporation			
Maximum	34.31x	76.28%	82.39%
Minimum	25.36	68.21	74.93
Valuation of peer group companies as of April 1, 2005			
Averages	19.59x	128.70%	146.11%
Medians	18.38	128.10	145.55

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RP Financial considered our price-to-earnings multiple to be less meaningful, as we reported a low level of net income for the period reviewed by RP Financial (the year ended December 31, 2004). RP Financial calculated an estimate of our core earnings by excluding the effects on our earnings of impairment losses we recognized during 2003 and 2004 on floating rate preferred stock issued by Fannie Mae and Freddie Mac, and gains on the sale of securities and loans. RP Financial then calculated our price-to-core earnings multiples presented in the above table based upon its calculation of our estimated core earnings.

RP Financial estimated our core earnings for the year ended December 31, 2004 as follows:

	Amount (In thousands)
Net income	$ 1,457
Add back: Loss on impairment of securities held for sale (1)	5,298
Subtract: Gain on sale of assets (1)	(554)
Estimated core earnings	$ 6,201

(1) Calculated after tax at an effective combined federal and state tax rate of 39.75%.

The independent appraisal does not indicate per share market value. Do not assume or expect that the valuation of BankFinancial Corporation as indicated above means that, after the conversion and the offering, the shares of common stock will trade at or above the $10.00 offering price. Furthermore, the pricing ratios presented above were utilized by RP Financial to estimate our market value and not to compare the relative value of shares of our common stock with the value of the capital stock of the peer group. The value of the capital stock of a particular company may be affected by a number of factors such as financial performance, asset size and market location.

The independent appraisal will be updated prior to the completion of the conversion. If the appraised value decreases below $157.3 million or increases above $244.7 million, we will promptly return, with interest, all funds previously delivered to us to purchase shares of common stock in the offering, and subscribers may be resolicited with the approval of the Office of Thrift Supervision. For a more complete discussion of the amount of common stock we are offering for sale and the independent appraisal, see The Conversion; Plan of Distribution Determination of Share Price and Number of Shares to be Issued.

After-Market Stock Price Performance Provided by Independent Appraiser

The appraisal report prepared by RP Financial included examples of after-market stock price performance for transactions completed during the three-month period ended March 31, 2005. The following table presents stock price appreciation information for all standard mutual-to-stock conversions completed between January 1, 2004 and March 31, 2005. The information shown in the following table for mutual-to-stock conversions completed in 2004 was not included in the appraisal report.

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Mutual-to-Stock Conversion Offerings with Completed Closing Dates

between January 1, 2004 and March 31, 2005

Transaction	Conversion Date	Appreciation from Initial Trading Date: 1 day	1 week	1 month	Through April 1, 2005
Royal Financial, Inc. IL	01/21/05	16.0%	26.0%	25.4%	20.0%
Third Century Bancorp, Inc. IN	06/30/04	13.2	10.5	12.5	37.4
SE Financial Corp. PA	05/06/04	(0.5)	(1.5)	(6.0)	17.5
New Alliance Bancshares, Inc. CT	04/02/04	51.7	45.3	36.5	40.0
Average		20.1%	20.1%	14.3%	28.7%

The following table presents stock price performance information for all standard mutual-to-stock conversions completed between January 1, 2003 and March 31, 2005. The information shown in the following table was not included in the appraisal report.

Mutual-to-Stock Conversion Offerings with Completed Closing Dates

between January 1, 2003 and March 31, 2005

Transaction	Conversion Date	Appreciation from Initial Trading Date: 1 day	1 week	1 month	Through April 1, 2005
Royal Financial, Inc. IL	01/21/05	16.0%	26.0%	25.4%	20.0%
Third Century Bancorp, Inc. IN	06/30/04	13.2	10.5	12.5	37.4
SE Financial Corp. PA	05/06/04	(0.5)	(1.5)	(6.0)	17.5
New Alliance Bancshares, Inc. CT	04/02/04	51.7	45.3	36.5	40.0
KNBT Bancorp, Inc. PA	11/03/03	68.8	67.5	70.5	53.0
Rainier Pacific Fin. Group WA	10/21/03	69.9	66.0	61.9	58.8
Community First Bancorp, Inc. KY	06/27/03	20.0	20.0	20.5	27.5
Rantoul First Bank, s.b. IL	04/02/03	15.1	20.0	23.5	50.0
Provident Fin. Services, Inc. NJ	01/16/03	55.0	56.5	51.5	71.0
CCSB Financial Corp. MO	01/09/03	20.0	23.1	25.0	50.0
Average		32.9%	33.3%	32.1%	42.5%

Stock prices of some mutual-to-stock conversions have decreased, and not increased. For example, while the above table illustrates an average appreciation of 32.1% after one month of trading, the stock of one company was trading below its initial offering price after one month of trading. In addition, the one-month appreciation in stock prices of mutual-to-stock conversions completed in 2005 and 2004 was significantly less than the one-month appreciation in stock prices of mutual-to-stock conversions completed in 2003. Both of the tables above present only short-term historical information on stock price performance, which may not be indicative of the longer-term performance of such stock prices. They are also not intended to predict how shares of our common stock may perform following the conversion and the offering. The historical information in the tables may not be meaningful to you because the data were calculated using a small sample and the transactions from which the data were derived occurred primarily during a low market interest rate environment, during which time the trading prices for financial institution stocks typically increase.

The market price in any particular company s stock is subject to various factors, including the amount of proceeds a company raises and management s ability to deploy proceeds (such as through investments, the acquisition of other financial institutions or other businesses, the payment of dividends

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and common stock repurchases). In addition, stock prices may be affected by general market conditions, the interest rate environment, the market for financial institutions, merger or takeover transactions, the presence of professional and other investors who purchase stock on speculation, as well as other unforeseeable events not necessarily in the control of management or the board of directors.

RP Financial advised the board of directors that the appraisal was prepared in conformance with the regulatory appraisal methodology. That methodology requires a valuation based on an analysis of the trading prices of comparable public companies whose stocks have traded for at least one year prior to the valuation date. RP Financial also advised the board of directors that the aftermarket trading experience of recent transactions was considered in the appraisal as a general indicator of current market conditions, but was not relied upon as a primary valuation methodology.

Our board of directors carefully reviewed the information provided to it by RP Financial through the appraisal process, but did not make any determination regarding whether prior standard mutual-to-stock conversions have been undervalued, nor did the board draw any conclusions regarding how the historical data reflected above may affect BankFinancial Corporation s appraisal. Instead, the board of directors engaged RP Financial to help it understand the regulatory process as it applies to the appraisal and to advise the board of directors as to how much capital BankFinancial Corporation would be required to raise under the regulatory appraisal guidelines.

There can be no assurance that our stock price will not trade below $10.00 per share, as has been the case for some mutual-to-stock conversions. Before you make an investment decision, we urge you to carefully read this prospectus, including, but not limited to, the section entitled Risk Factors beginning on page 18.

Limits on How Much Common Stock You May Purchase

The minimum number of shares of common stock that may be purchased is 25. Generally, no individual, or individual exercising subscription rights through a qualifying account held jointly, may purchase more than 50,000 shares of common stock. If any of the following persons purchases shares of common stock, their purchases, in all categories of the offering, when combined with your purchases, cannot exceed 75,000 shares:

- your spouse or relatives of you or your spouse living in your house;
- most companies, trusts or other entities in which you are a trustee, have a substantial beneficial interest or hold a senior management position; or
- other persons who may be your associates or persons acting in concert with you.

See the detailed descriptions of acting in concert and associate in The Conversion; Plan of Distribution Limitations on Common Stock Purchases.

How You May Purchase Shares of Common Stock

In the subscription offering and community offering, you may pay for your shares only by:

(1) personal check, bank check or money order, payable to BankFinancial Corporation; or

(2) authorizing us to withdraw funds from the types of BankFinancial, F.S.B. deposit accounts designated on the stock order form.

BankFinancial, F.S.B. is not permitted to knowingly lend funds to anyone for the purpose of purchasing shares of common stock in the offering. Additionally, you may not use a check drawn on a BankFinancial, F.S.B. line of credit or a check written by someone other than you to pay for shares of common stock.

You can subscribe for shares of common stock in the offering by delivering a signed and completed original stock order form, together with full payment or authorization to withdraw from one or more of your BankFinancial, F.S.B. deposit accounts, as long as we receive the stock order form before 12:00 Noon, Central time, May 16, 2005, which is the end of the offering period. Checks will be deposited with BankFinancial, F.S.B. or another insured depository institution upon receipt. We will pay interest at BankFinancial, F.S.B. s passbook savings rate from the date funds are received until completion or termination of the conversion and the offering. Withdrawals from certificates of deposit to purchase shares of common stock in the offering may be made without incurring an early withdrawal penalty; however, if a withdrawal results in a certificate account with a balance less than the applicable minimum balance requirement, the certificate will be canceled at the time of withdrawal without penalty and the remaining balance will earn interest at the current passbook rate subsequent to the withdrawal. All funds authorized for withdrawal from deposit accounts with BankFinancial, F.S.B. must be in the accounts at the time the stock order is received. However, funds will not be withdrawn from the accounts until the completion of the offering and will earn interest at the applicable deposit account rate until that time. A hold will be placed on those funds when your stock order is received, making the designated funds unavailable to you. After we receive your order, your order cannot be changed or canceled unless the number of shares of common stock to be offered is increased to more than 24,466,250 or decreased to less than 15,725,000, or the offering is extended beyond June 30, 2005.

By signing the stock order form, you are acknowledging receipt of a prospectus and that the shares of common stock are not deposits or savings accounts that are federally insured or otherwise guaranteed by BankFinancial, F.S.B., the Federal Deposit Insurance Corporation or any other government agency.

You may be able to subscribe for shares of common stock using funds in your individual retirement account, or IRA. However, shares of common stock must be purchased through and held in a self-directed retirement account, such as those offered by a brokerage firm. By regulation, BankFinancial, F.S.B. s individual retirement accounts are not self-directed, so they cannot be used to purchase or hold shares of our common stock. If you wish to use some or all of the funds in your BankFinancial, F.S.B. individual retirement account to purchase our common stock, the applicable funds must be transferred to a self-directed account maintained by an independent trustee, such as a brokerage firm, and the purchase must be made through that account. If you do not have such an account, you will need to establish one before placing your stock order. It may take several weeks to transfer your BankFinancial, F.S.B. individual retirement account to an independent trustee, so please allow yourself sufficient time to take this action. An annual administrative fee may be payable to the independent trustee. Because individual circumstances differ and processing of retirement fund orders takes additional time, we recommend that you contact our Conversion Center promptly, preferably at least two weeks before the end of the offering period, for assistance with purchases using your individual retirement account or any other retirement account that you may have. Whether you may use such funds for the purchase of shares in the stock offering may depend on time constraints and, possibly, limitations imposed by the brokerage firm or institution where the funds are held.

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Delivery of Stock Certificates

Certificates representing shares of common stock sold in the offering will be mailed to the persons entitled thereto at the certificate registration address noted on the order form, as soon as practicable following consummation of the offering and receipt of all necessary regulatory approvals. **It is possible that, until certificates for the common stock are delivered to purchasers, purchasers might not be able to sell the shares of common stock that they ordered, even though the common stock will have begun trading.**

How We Intend to Use the Proceeds From the Offering