



## **PUBLIC DISCLOSURE**

August 19, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

BankFinancial, FSB  
Charter Number 702402

21110 Western Ave  
Olympia Fields, IL 60461-1929

Office of the Comptroller of the Currency

2001 Butterfield Road  
Suite 400  
Downers Grove, IL 60515

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Outstanding**.

The following table indicates the performance level of **BankFinancial, FSB** with respect to the Lending, Investment, and Service tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending inside the Assessment Area (AA) reflects excellent responsiveness to AA credit needs.
- The geographic distribution of loans and the distribution of borrowers reflect excellent penetration among individuals of different income levels and businesses of different sizes.
- The bank has an excellent record of community development lending.
- The bank has a significant level of community development investments.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one- to four-family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

BankFinancial, FSB (BankFinancial) is a federal stock savings bank, operating as a full-service financial company. As of June 30, 2013, the bank had \$1.5 billion in total assets and \$144 million in Tier I capital. The bank is wholly owned by BankFinancial Corporation, a one-bank holding company with consolidated assets of \$1.5 billion. The bank offers a full range of financial services, including loans, deposits, online banking, telephone banking, cash management, funds transfers, bill payment, automated teller machines, remote deposit capture, safe deposit boxes, trust services, wealth management, and through the bank's subsidiary, Financial Assurance Services, Inc., general insurance agency services.

The bank is headquartered in Olympia Fields, Illinois, a suburb of Chicago in southern Cook County. The bank has 20 branches, including the main office in Olympia Fields, and four stand-alone automated teller machines. Twelve of the bank's branches are located in Cook County, four in Lake County, three in DuPage County, and one in Will County. Ten branches are located in upper-income census tracts (CTs); five are in middle-income CTs, five in moderate-income CTs, and none in low-income CTs. All branch offices and ATMs are located in Illinois.

During the review period, the bank added two branch locations through its acquisition of Downers Grove National Bank. The two new branches are located in Downers Grove and Westmont and are in upper-income and moderate-income CTs respectively. Additionally, the bank had three unstaffed remote service units ("Express Branches") in operation during the assessment period. The Express Branches were all closed by November 2012. Two of the branches were located in upper-income CTs and one was located in a middle-income CT based on 2010 census data. The bank continues to maintain a corporate administration center in Burr Ridge, IL, which does not offer retail banking services.

As of June 30, 2013, BankFinancial ranked as the 28<sup>th</sup> largest FDIC-insured Depository institution out of 179 institutions in its AA of Cook, Will, DuPage, and Lake counties. The bank had \$1.3 billion in deposits in the AA, with a 0.44 percent market share.

The bank's lending focus is in real estate, which is typical of a thrift institution. As of June 30, 2013, the bank had \$1 billion in total loans as illustrated in the table below. Real estate loans total \$817 million and make up 79 percent of total loans. Within the real estate category, loans secured by multi-family residences totaled \$354 million and made up 43 percent of real estate loans. Commercial and Industrial loans total \$203 million and make up 20 percent of total loans. Consumer and other loans total \$9.7 million and make up about 1 percent of total loans.

BankFinancial, FSB				
Selected Loan Categories as of June 30, 2013				
BankFinancial, FSB			Peer Median % Loans	BankFinancial Percentile
Loan Category Description	Dollar Amount \$000 Omitted	Percent of Loans		
Real Estate Loans	\$817,452	79.3	87.9	26 <sup>th</sup>
Commercial and Industrial Loans	202,492	19.7	5.6	93 <sup>rd</sup>
Consumer Loans	2,622	0.3	2.6	37 <sup>th</sup>
Other Loans	7,123	0.7	0.4	81 <sup>st</sup>

Source: 6/30/13 Call Report

During 2012, BankFinancial ranked as the 75th largest FDIC-insured financial institution out of 522 lenders in the bank's AA, based on the origination and purchase of loans subject to the Home Mortgage Disclosure Act. For the same year, BankFinancial ranked as the 58<sup>th</sup> largest lender out of 287 to LMI persons and the 74<sup>th</sup> largest lender out of 303 in LMI geographies.

The bank's lending environment poses an extremely intense level of competition for loans. During 2012, there were 522 federally regulated lenders that originated or purchased a loan in the bank's AA. Among the competing lenders, were some of nation's largest financial institutions, including JPMorgan Chase Bank, Wells Fargo Bank, and Bank of America, among others.

A very competitive lending market and the lingering effects of the recent economic downturn remain impediments to the bank's ability to help meet the credit needs of its AA.

For the current review period, the institution's asset size meets the definition of a large institution, consistent with the last evaluation. The bank was rated "Outstanding" during its last CRA evaluation dated February 22, 2011.

## Scope of the Evaluation

We evaluated the Community Reinvestment Act (CRA) performance of BankFinancial using Large Bank procedures. The Large Bank examination procedures include three tests: Lending, Investment, and Service. We evaluated the bank's performance under all three tests to derive an overall CRA rating for the bank. The bank has one AA, which received a full-scope review. The evaluation period for this examination is February 22, 2011, the start date of the previous evaluation, through August 19, 2013, the start date of this evaluation.

The evaluation period for the lending test, excluding community development loans, is January 1, 2011 through June 30, 2013. Lending activity during 2011 is evaluated

against 2000 Census data and lending activity during 2012 and 2013 is evaluated against 2010 Census data. Products reviewed in the lending test include home mortgage, small business, community development loans, and innovative and flexible loan products. Loans to small farms were not evaluated because none were originated during the review period and the bank opted not to include consumer loans in this evaluation. As part of our evaluation, we performed a data integrity review of the bank's 2011 and 2012 Home Mortgage Disclosure Act (HMDA) data by verifying loan information from the bank's loan application registers to actual loan files. We found this data to be reliable. We compared the bank's lending performance to other financial institutions regulated by the OCC, Federal Reserve Board, and the Federal Deposit Insurance Corporation (FDIC) by using 2011 peer lending data, the most recent data available for home mortgage and small business loans.

The evaluation period for the investment test, service test, and community development lending is February 22, 2011 through August 19, 2013. Our review of investments included an analysis of the investment portfolio along with grants and donations to organizations that have community development as their primary purpose. Our evaluation of bank services included analyzing the bank's branch and ATM network for the availability and effectiveness of delivering retail services. We also took into account the bank's community development activities in meeting the credit needs of its AA. We also conducted a community contact as part of our examination procedures. The contact indicated that the AA is economically challenged due to the recent economic downturn. The commercial and employment base of the area has suffered severe erosion. The AA continues to have very high vacancy, foreclosure, and poverty rates. Financial institutions have been cooperative and lending needs continue to be for rehabilitation, new construction, home equity lines of credit, and retail development loans.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **Description of Assessment Area**

BankFinancial has one AA that includes all of Cook, DuPage, Will and Lake Counties, in Illinois. All of the bank's branch offices are located in these four counties. Cook, DuPage and Will Counties are part of the Chicago-Naperville-Joliet Metropolitan Division (MD). Lake County is part of the Lake County – Kenosha County, IL-WI-MD. The AA is entirely in the state of Illinois. All of the following tables combine the data

from these four contiguous counties (from the two MDs). These counties are part of the Chicago-Joliet-Naperville, IL-IN-WI Metropolitan Statistical Area (MSA). This AA received a full-scope review to assess the bank’s performance. The following tables outline demographic information about the bank’s AA using both the 2000 and 2010 Census data.

2000 Census Demographic Information for Full Scope Area: Lake, DuPage, Cook, and Will Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,723	13.81	25.77	33.43	26.06	0.93
Population by Geography	7,427,524	8.30	25.10	37.46	29.14	0.00
Owner-Occupied Housing by Geography	1,699,218	2.78	16.41	43.44	37.37	0.00
Business by Geography	640,896	3.58	14.51	36.24	45.45	0.22
Farms by Geography	7,684	1.69	13.29	42.06	42.96	0.00
Family Distribution by Income Level	1,811,940	7.34	22.88	38.89	30.89	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	709,394	14.87	35.38	35.97	13.78	0.00
Median Family Income Families Below Poverty Level*		64,559 10.10%	Median Housing Value Unemployment Rate July 2013 ( US Dept. of Labor)		179,577 9.4%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2011 HUD updated MFI

2010 Census Demographic Information for Full Scope Area: Lake, DuPage, Cook, and Will Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	1,839	13.70	23.65	31.06	31.21	0.38
Population by Geography	7,492,621	9.79	24.01	33.49	32.65	0.06
Owner-Occupied Housing by Geography	1,799,922	4.37	18.40	37.33	39.90	0.00
Business by Geography	440,669	3.44	15.14	37.86	43.56	0.00
Farms by Geography	5,165	1.70	15.76	42.19	40.35	0.00
Family Distribution by Income Level	1,789,939	19.11	17.86	24.12	38.91	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	661,796	9.13	23.12	34.41	33.34	0.00
Median Family Income Families Below Poverty Level*		79,897 11.64%	Median Housing Value Unemployment Rate July 2013 ( US Dept. of Labor)		196,225 9.4%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2011 FFIEC updated MFI

Based on the most recent census data (2010) BankFinancial's AA includes 687 low and moderate-income geographies or census tracts (CTs). Cook County is the second most

populous county in the United States with a population of 5.2 million or about 69 percent of the total AA population. Cook County contains 1,318 geographies, including 600 of the 687 LMI geographies of the AA (87 percent). It also encompasses all of the City of Chicago. The AA does not arbitrarily exclude any LMI geographies and conforms to the regulatory requirements for AAs.

As shown on the table above, the Chicagoland unemployment rate was 9.4 percent. This unemployment rate is higher than both the State of Illinois at 9.2 percent and the U.S. at 7.4 percent. For July 2013, high levels of unemployment have had a negative impact on the AA's economy and the demand for home financing. Available data indicated that for 2012, Illinois had the fifth highest level of foreclosures of any state in the nation.

According to the Bureau of Labor Statistics, the Chicagoland area occupations, in order of most employment, were: trade, transportation and utilities; professional and business services; education and health services; government; and manufacturing. Some of the larger, high profile employers headquartered in the AA include Walgreens, Boeing, Kraft Foods, Sears Holdings, Abbott Laboratories, United Continental Airlines, and McDonalds.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

BankFinancial's performance under the lending test is rated **Outstanding**. Lending inside the AA reflects excellent responsiveness to AA credit needs. The bank has superior results with respect to AA lending inside LMI geographies and to LMI borrowers, exceeding peer group comparisons for the review period. Lending to small businesses inside AA LMI geographies has also been superior, exceeding comparable aggregate results for most comparable time periods. The institution exhibited strong performance with respect to community development lending and has reasonable performance with respect to innovative and flexible lending programs.

### **Lending Activity and Inside/Outside Ratio**

As reflected in the following table, the percentage of the bank's loans originated in the AA during the review period is excellent, well-exceeding a majority of total lending inside the AA.

BankFinancial, FSB Overall Lending (Excluding Community Development Lending) Activity January 1, 2011 through June 30, 2013						
	Total Lending (#)	Total Lending (\$000)	AA Lending (#)	Pct. # in AA	AA Lending (\$000)	Pct. \$ in AA
<b>HMDA</b>						
2011	685	\$266,031	654	95.4	\$248,678	93.5
2012	222	47,427	205	92.3	39,722	83.8
2013	152	53,281	125	82.2	37,069	69.6
<b>Total</b>	<b>1,059</b>	<b>\$366,739</b>	<b>984</b>	<b>92.9</b>	<b>\$325,478</b>	<b>88.8</b>
<b>Small Business</b>						
2011	173	\$38,160	164	94.8	\$35,918	94.1
2012	183	45,163	177	96.7	42,247	93.5
2013	57	14,655	53	93.0	12,090	82.5
<b>Total</b>	<b>413</b>	<b>\$97,978</b>	<b>394</b>	<b>95.4</b>	<b>\$90,255</b>	<b>92.1</b>
<b>Total All Loans</b>	<b>1,472</b>	<b>\$464,717</b>	<b>1,378</b>	<b>93.6</b>	<b>\$415,733</b>	<b>89.5</b>

During each year of the review period, a substantial majority of lending by dollar amount and volume has been inside the AA. 2011 had the largest volume of activity in the review period due to multiple loan purchases that were made during the year. In 2011, BankFinancial was ranked 31st (of 518 FDIC insured financial institutions) in HMDA loan originations and purchases, and 51<sup>st</sup> (of 195 lenders) in originations and purchases in small business loans. This represents a willingness to lend within the AA.

Although the bank's penetration percentage has been steadily decreasing each year during the review period, its performance with respect to lending inside the AA during the period remains very strong.

### **Distribution of Loans by Income Level of the Geography**

The geographic distribution of loans reflects **excellent** penetration throughout the AA. BankFinancial's HMDA reportable and small business loan origination and purchase performance has consistently exceeded peer/aggregate comparisons during the review period.

### **Home Mortgage Loans**

The following table reports the bank's distribution of loans by income level of geography, by year, and compares performance to demographic and peer group measurements. The table reflects superior performance compared to peer.

Distribution of BankFinancial's HMDA-Reportable Loans By Geography/CT Income Level in the Assessment Area (Dollars in thousands)									
CT Income Level	2011		2012		2013 (Through 6/30/13)		Review Period 1/1/2011 – 6/30/2013		Aggregate/Peer 2011
	#	%	#	%	#	%	#	%	% by #
<b>By Number:</b>									
Low	37	5.7	5	2.4	2	1.6	44	4.5	2.0
Moderate	167	25.5	23	11.2	17	13.6	207	21.0	10.3
Middle	306	46.8	84	41.0	51	40.8	441	44.8	35.2
Upper	144	22.0	93	45.4	55	44.0	292	29.7	52.5
NA	0	0.0	0	0.0	0	0.0	0	0.0	0.0
<b>Total</b>	<b>654</b>	<b>100.0</b>	<b>205</b>	<b>100.0</b>	<b>125</b>	<b>100.0</b>	<b>984</b>	<b>100.0</b>	<b>100.0</b>
<b>By \$ Amt:</b>									
Low	\$15,119	6.1	\$620	1.5	\$997	2.7	\$16,736	5.0	1.9
Moderate	65,621	26.4	5,150	13.0	5,714	15.4	76,485	22.1	8.5
Middle	107,127	43.1	13,182	33.2	10,377	28.0	130,686	35.1	27.3
Upper	60,811	24.4	20,770	52.3	19,981	53.9	101,562	37.8	62.2
NA	0	0.0	0	0.0	0	0.0	0	0.0	0.1
<b>Total</b>	<b>\$248,678</b>	<b>100.0</b>	<b>\$39,722</b>	<b>100.0</b>	<b>\$37,069</b>	<b>100.0</b>	<b>\$325,469</b>	<b>100.0</b>	<b>100.0</b>

The bank's penetration percentages in LMI geographies, in terms of both loan volume (25.5 percent) and dollar amount (27.1 percent), during the review period was more than twice that of the peer group (12.3 and 10.4 percent, respectively). Performance based on percentage of LMI geography lending by volume and dollar amount was especially robust in 2011 with performance nearly three times that of the respective peer group dollar percentages. Lending performance inside LMI geographies also compares favorably to the percentage of Owner-Occupied Housing Units, which is 2.8 percent and 16.4 percent for low- and moderate-income geographies, respectively, according to 2000 Census data, and 4.4 percent and 18.4 percent per 2010 Census data.

For 2011, BankFinancial ranked 20<sup>th</sup> in lending in the LMI geographies of its AA (of 296 FDIC insured financial institutions) with a 0.78 percent market share, which is substantially higher than the bank's overall 0.31 percent market share for HMDA lending in the AA.

### ***Small Loans to Businesses***

The following table reports the distribution of the bank's small loans to businesses by geographic distribution, by year, and compares performance to demographic and peer group measurements. The table reflects the bank's very superior performance compared to peer.

Distribution of BankFinancial's Small Business Loans By Geography Income Level in the Assessment Area (Dollars in thousands)									
Geography Income Level	2011		2012		2013 (Through 6/30/2013)		Review Period 1/1/2011 – 6/30/2013		Aggregate/Peer 2011
	#	%	#	%	#	%	#	%	% by #
<b>By Number:</b>									
Low	8	4.9	9	5.1	0	0.0	17	4.3	2.3
Moderate	26	15.8	30	16.9	9	17.0	65	16.5	11.7
Middle	58	35.4	60	33.9	15	28.3	133	33.8	35.3
Upper	71	43.3	78	44.1	29	54.7	178	45.2	50.4
NA	1	0.6	0	0.0	0	0.0	1	0.2	0.3
<b>Total</b>	<b>164</b>	<b>100.0</b>	<b>177</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>394</b>	<b>100.0</b>	<b>100.0</b>
<b>By \$ Amt:</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>
Low	\$1,690	4.7	\$2,386	5.7	\$0	0.0	\$4,076	4.5	2.7
Moderate	6,184	17.2	7,410	17.5	2,995	24.8	16,589	18.4	12.8
Middle	12,164	33.9	14,771	35.0	2,432	20.1	29,367	32.5	34.8
Upper	15,380	42.8	17,680	41.8	6,663	55.1	39,723	44.0	49.3
NA	500	1.4	0	0.0	0	0.0	500	0.6	0.4
<b>Total</b>	<b>\$35,918</b>	<b>100.0</b>	<b>\$42,247</b>	<b>100.0</b>	<b>12,090</b>	<b>100.0</b>	<b>\$90,255</b>	<b>100.0</b>	<b>100.0</b>

BankFinancial's percentage of loans to small businesses located in LMI geographies, in terms of both loan volume (20.8 percent) and dollar amount (22.9 percent), exceeded that of the peer group (14.0 and 15.5 percent, respectively) during the review period. In addition, the number of small loans to businesses in low-income geographies (4.3 percent) exceeded the percentages of non-farm businesses located in these geographies (3.6 percent per 2000 Census data and 3.4 percent per 2010 Census data). And the number of small loans to businesses in moderate-income geographies (16.5 percent) exceeded the percentages of non-farm businesses located in these geographies (15.5 percent per 2000 Census data and 15.1 percent per 2010 Census data). Overall, the bank's lending performance in LMI geographies throughout the review period is indicative of a strong commitment to serve the credit needs of all segments of the local community.

### Distribution of Loans by Income Level of the Borrower

The bank's distribution of borrowers reflects **excellent** penetration among individuals of different income levels and businesses of different sizes.

### Home Mortgage Lending

The following table reports the bank's distribution of loans by borrower income, by year, and compares performance to demographic and peer group measurements. We did not include loans where the applicant's income was not available. The table reflects superior performance compared to peer, especially with the LMI lending by dollar amount.

Distribution of BankFinancial's HMDA-Reportable Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)									
Borrower Income Level	2011		2012		2013 (Through 6/30/2013)		Review Period 1/1/2011 – 6/33/2013		Aggregate/Peer 2011
	#	%	#	%	#	%	#	%	% by #
<b>By Number:</b>									
Low	15	10.3	22	13.5	7	7.5	44	10.9	8.2
Moderate	32	22.1	30	18.4	18	19.1	80	19.9	16.5
Middle	39	26.9	56	34.4	19	20.2	114	28.4	22.3
Upper	59	40.7	55	33.7	50	53.2	164	40.8	53.0
<b>Total</b>	<b>145</b>	<b>100.0</b>	<b>163</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>	<b>402</b>	<b>100.0</b>	<b>100.0</b>
Income NA	509		42		31		582		
<b>By \$ Amt:</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>
Low	\$825	4.1	\$1,473	7.6	\$890	7.6	\$3,188	6.2	3.8
Moderate	3,017	15.0	3,128	16.1	1,130	9.7	7,275	14.2	9.9
Middle	4,707	23.4	6,983	36.0	2,623	22.5	14,313	28.0	17.3
Upper	11,559	57.5	7,828	40.3	7,018	60.2	26,405	51.6	69.0
<b>Total</b>	<b>\$20,108</b>	<b>100.0</b>	<b>\$19,412</b>	<b>100.0</b>	<b>\$11,661</b>	<b>100.0</b>	<b>\$51,181</b>	<b>100.0</b>	<b>100.0</b>
Income NA	228,570		20,310		25,408		274,288		

Note: The large volume of loan purchases in 2011 caused the NA income data to be higher in 2011.

The bank's HMDA lending penetration percentage among LMI borrowers during the review period was 30.8 percent by number compared to the available peer group performance of 24.7 percent. Additionally, the institution's dollar lending performance during the review period was 20.4 percent compared to the available peer group of 13.7 percent. The bank's lending performance with respect to LMI borrowers far exceeds applicable peer thresholds and compares very favorably to the percentage of LMI families within the income category.

BankFinancial has an excellent record of lending to low-income persons. This is especially noteworthy given the recent challenging economic environment and high levels of unemployment in BankFinancial's AA. The bank's HMDA loan penetration (10.9 percent) to low-income borrowers is below the percentage of low-income families residing in the AA (21.4 percent per 2000 Census data and 19.1 percent per 2010 Census data). However, this is mitigated by the percent of families in the AA with income below the poverty level (approximately ten percent per 2000 census data and eleven percent per 2010 census data). Persons at or below the poverty level typically lack the financial resources for home ownership, especially in a higher cost real estate market, characteristic of the AA. The bank demonstrates an excellent record of lending to moderate-income families. Its overall 19.9 percent penetration exceeds the 17.7 percent (per 2000 census data) and 17.9 percent (per 2010 census data) of moderate-income families residing in the AA.

### Small Business Lending

The borrower distribution of small business loans in the AA is reasonable. The distribution of loans to businesses with less than \$1 million in gross annual revenues is slightly below the percentage of small businesses in the AA during the review period. The bank's lending to small businesses was substantially stronger in 2013, improving their overall performance. In addition, the bank originated a little more than 50 percent of its small business loans for amounts of \$100 thousand or less. Businesses with revenues less than \$1 million dollars usually have a greater need for smaller loans.

Distribution of Small Businesses Within the Assessment Area				
Business Revenue	≤ \$1 Million	> \$1 Million	Revenue Unknown	Total
% of AA Businesses Per 2000 Census Data	64.9%	3.9%	31.2%	100%
% of AA Businesses Per 2010 Census Data	65.4%	4.2%	30.4%	100%

Distribution of BankFinancial's Small Business Loans								
By Revenue of Business in the Assessment Area								
<i>(Dollars in thousands)</i>								
Revenue of Business	2011		2012		2013 (YTD 6/30/2013)		Review Period	
	#	%	#	%	#	%	#	%
<b>By Number:</b>								
≤ \$1 Million	90	54.9%	105	59.3%	45	84.9%	240	60.9%
> \$1 Million	46	28.0%	43	24.3%	7	13.2%	96	24.4%
Revenue Unknown	28	17.1%	29	16.4%	1	1.9%	58	14.7%
<b>Total</b>	<b>164</b>	<b>100%</b>	<b>177</b>	<b>100%</b>	<b>53</b>	<b>100%</b>	<b>394</b>	<b>100%</b>
<b>By \$ Amount:</b>								
≤ \$1 Million	\$16,312	45.4%	\$28,677	67.9%	\$10,125	83.8%	\$55,114	61.1%
> \$1 Million	16,536	46.0%	11,584	27.4%	1,853	15.3%	29,973	33.2%
Revenue Unknown	3,070	8.6%	1,986	4.7%	112	0.9%	5,168	5.7%
<b>Total</b>	<b>\$35,918</b>	<b>100%</b>	<b>\$42,247</b>	<b>100%</b>	<b>\$12,090</b>	<b>100%</b>	<b>\$90,255</b>	<b>100%</b>

Distribution of BankFinancial's Small Business Loans								
By Loan Origination Amount in the Assessment Area								
<i>(Dollars in thousands)</i>								
Loan Amount At Origination	2011		2012		2013 (Thru 6/30/2013)		Review Period	
	#	%	#	%	#	%	#	%
<b>By Number:</b>								
≤ \$100,000	87	53.1%	84	47.5%	27	50.9%	198	50.3%
\$100,001 - \$250,000	33	20.1%	36	20.3%	9	17.0%	78	19.8%
\$250,001 - \$1 million	44	26.8%	57	32.2%	17	32.1%	118	29.9%
<b>Total</b>	<b>164</b>	<b>100%</b>	<b>177</b>	<b>100%</b>	<b>53</b>	<b>100%</b>	<b>394</b>	<b>100%</b>
<b>By \$ Amount:</b>								
≤ \$100,000	\$3,012	8.4%	\$3,242	7.7%	\$1,003	8.3%	\$7,257	8.1%
\$100,001 - \$250,000	6,067	16.9%	6,646	15.7%	1,384	11.4%	14,097	15.6%
\$250,001 - \$1 million	26,839	74.7%	32,359	76.6%	9,703	80.3%	68,901	76.3%
<b>Total</b>	<b>\$35,918</b>	<b>100%</b>	<b>\$42,247</b>	<b>100%</b>	<b>\$12,090</b>	<b>100%</b>	<b>\$90,255</b>	<b>100%</b>

## Community Development Lending

The bank is a leader in making Community Development Loans. BankFinancial makes extensive use of innovative investments to support community development activities. The bank originated or purchased 24 community development loans totaling \$17.9 million inside of its AA during the evaluation period. Community development loans represent 12.5 percent of Tier I capital. Community development loans largely consisted of loans secured by multifamily dwellings that are HMDA-reportable. To determine if the multifamily loans qualify for community development consideration, the bank identifies multifamily dwellings located in LMI geographies. If the overall rental rates in the multifamily dwellings do not exceed 30 percent of the respective census tract's median family income, the bank will internally identify these loans as community development loans. The assumption is that the rental rates would be affordable to the residents in LMI geographies and likely serve LMI individuals. Other examples of bank's community development lending include:

- A \$2.125 million loan to a non-profit organization to purchase 86 single family homes or condo units, which provide rental housing to LMI individuals in various cities within the bank's AA.
- \$7.8 million in lines of credit to five nursing homes within the bank's AA that provide services to Medicaid recipients.

## Product Innovation and Flexibility

Innovative and flexible lending practices can assist borrowers with the purchase of a home by way of underwriting flexibility or grants for down payments and other closing costs. BankFinancial's performance with respect to innovative and flexible lending products is reasonable. The bank uses innovative lending programs in order to serve AA credit needs. The following is a summary of these programs.

- Home Affordable Modification Program (HAMP) - This is a national program to assist at risk borrowers by reducing mortgage payments in order allow sustainable monthly mortgage payments. BankFinancial originated 12 of these loans, totaling \$1.4 million (based on the original loan balance prior to modification and/or forbearance).
- Portfolio Forbearance and Repayment Plans - This bank-created program assists borrowers who are having financial hardship with a potential solution and designed to prevent foreclosure. BankFinancial utilized this process for four loans, totaling \$417,713 (based on the original loan balance prior to modification and/or forbearance).
- Portfolio Renewal Fixed Home Equity Forbearance and Repayment Plans – This bank-created plan is designed to address the difficulties that borrowers under financial stress face when their home equity lines of credit (HELOCs) mature and become due and payable in full. This product is designed to provide such borrowers with a mechanism to prevent foreclosure. The program permits the conversion of a maturing

HELOC into a fixed rate amortizing home equity loan. During the review period, the bank originated 28 loans totaling \$2.2 million under this program.

- Consumer Maturity Extension to Home Equity of Line of Credit (HELOC) Plan – This plan is also designed to address difficulties that borrowers in financial difficulties face when their HELOC matures and becomes due and payable in full. Maturity extensions provide a mechanism to prevent foreclosure when there is a first lien position, and/or to protect further deterioration of the borrower's credit. This product also helps borrowers who are in the process of selling their house or refinancing and need additional time to complete the sale and/or refinancing. During the review period, BankFinancial extended the maturity on 37 HELOCs totaling \$5.2 million under this program.

- Illinois Housing Development Authority (IHDA) Hardest Hit Fund Emergency Loan Program (HHF) – The Illinois Homeowners Emergency Loan Program (HELP) offers homeowners that are in financial difficulty due to unemployment or under employment with a Monthly Mortgage Payment Assistance Program and a Reinstatement Assistance Program. During the review period, BankFinancial referred and/or assisted 14 customers being awarded funds under this program.

BankFinancial also participates in other lending programs intended to assist first time buyers, those with limited down payments, and those in need of underwriting flexibility regarding credit and income, although these programs did not result in any loan originations during the review period. These include lending programs offered by the Federal Home Loan Bank (Downpayment Plus Program Temporary Loan Payment Modification Plan) and Fannie Mae (My Community 97 Program).

## INVESTMENT TEST

The bank's performance under the investment test is rated **High Satisfactory**. BankFinancial has a significant level of Community Development Investments (CDIs)/Qualified Investments, and a reasonable level of grants. The bank exhibits good responsiveness to credit and community economic development needs. As shown in the following tables, the bank has \$3.4 million in CDIs remaining from prior periods and has \$3.1MM in new investments promoting community development goals, for a total of just about \$6.5MM which translates into 4.5 percent of Tier 1 capital. The bank donated a combined \$25,850 to charities in 2011, \$21,825 in 2012, and \$13,483 thus far in 2013.

*See Table of Community Development Investments / Qualified Investments on next page.*

<b>BankFinancial, FSB</b>					
<b>Community Development Investments/Qualified Investments</b>					
<b>Date of Investment</b>	<b>Original \$ Amount (\$000)</b>	<b>Balance 6/30/2013 (\$000)</b>	<b>Investment Name</b>	<b>Investment Description</b>	<b>Area of Impact: AA/ Regional</b>
<b>Prior Period Investments</b>					
Various (Feb 2006- Sept 2006)	\$8,400	\$2,549	Mortgage Backed Securities (MBS)	Seven targeted MBS collateralized by loans in the Chicago MSA, all purchased during 2006	Regional
Various (May 1998- Dec 2002)	\$1,750	\$24	Chicago Equity Fund- 1997, 2000, 2001, 2002	Equity investments in projects to build and rehabilitate affordable rental housing for LMI families in LMI neighborhoods	AA
10/1/1999	\$2,000	\$647	CIC Corp of Chicago	CIC is a pooled-risk mortgage lender specializing in multi-family rehabilitation in LMI neighborhoods	AA
Various (Oct 2008- Jan 2011)	\$31,521	\$30	GNR MBS (2005-2010)	Five GNR MBS	Regional
11/30/2002	\$1,000	\$96	Neighborhood Housing Services		
9/12/2002	\$500	\$0	Neighborhood and Investment Funds	Funds Low-Moderate Income Second Mortgages	
4/22/1998	\$50	\$9	Affordable Housing of Lake County		Regional
<b>Subtotal</b>	<b>\$45,221</b>	<b>\$3,355</b>			
<b>Current Period Investments</b>					
3/18/2011	\$500	\$507	CRA Fund (CRAIX)	The Fund's principal investment strategy is to invest in debt securities that will cause shares of the Fund to qualify under the CRA	Regional
8/20/2012	\$2,679	\$2,615	GNF MBS Pool	Qualifying 30 year GNMA MBS. All loans in the pool qualify as community development loans	AA
<b>Subtotal</b>	<b>\$3,179</b>	<b>\$3,122</b>			
<b>Total</b>	<b>\$48,400</b>	<b>\$6,477</b>			

## SERVICE TEST

BankFinancial's performance under the service test is rated **High Satisfactory**. The bank has a good record of providing services to all portions of its AA. BankFinancial's service delivery systems are accessible to geographies and individuals of different income levels in its AA. The institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and

moderate-income geographies and to low- and moderate-income individuals. Services do not vary in a way that inconveniences its AA, particularly low- and moderate-income geographies and low- and moderate-income individuals. The institution provides a relatively adequate level of community development services.

## **Retail Services**

BankFinancial has a Customer Service Center to handle customer inquiries. The Customer Service Center is open from 8:00 am to 8:00 p.m. Monday through Friday, and 8:00 am to 3:00 p.m. on Saturday. The Customer Service Center is especially useful to those persons with limited transportation options or nonstandard work hours. The institution also provides a 24 hour automated bank-by-phone service, and online banking that includes text message banking and mobile web banking. Online banking and mobile banking provide for bill payment services.

BankFinancial operates 20 full service branch offices. The institution had three “express” offices, which were closed within the review period (February 2011, January 2012, and November 2012). They were fully-automated self-service facilities open seven days a week, 365 days a year; however, none of the “express” offices were located in low- or moderate-income geographies. Based on 2000 US Census data, eleven of the branch offices are located in upper-income geographies, eight are located in middle-income geographies and one is located in a moderate-income geography. Based on 2010 US Census data, ten branches are located in upper-income geographies, five located in middle- and moderate-income geographies. During the review period, the Bank added two of its current branch locations (upper-income geographies) through its acquisition of Downers Grove National Bank in March of 2011. The Bank has a corporate administration and operations center in Burr Ridge, Illinois, which does not offer retail banking services.

Offices have slightly varying hours, and are open at times convenient for the areas served. All of the branches provide Saturday hours, and the Lincolnwood branch provides Sunday hours. All offices have ATMs. In addition, the bank has four stand-alone ATMs; one was located in a moderate-income geography utilizing 2000 US Census information and has changed to upper-income using 2010 US Census information.

BankFinancial offers a competitive variety of deposit and lending products. Additionally, the institution offers a “Totally Free Checking” product, amenable to LMI persons, which has a \$100 minimum opening balance, no minimum daily balance, no monthly service fee, and provides for unlimited free transactions at all BankFinancial-owned ATMs. The checking product also provides for free unlimited online bill pay options.

The institution offers business banking services, including merchant processing. These are of benefit to small businesses. The bank also provides wealth management services and offers non-deposit investment products such as annuities, mutual funds, and stocks and bonds for sale. BankFinancial continues to provide networking

opportunities for small business customers through its "Featured Business of the Month" marketing program. This marketing program allows businesses to promote themselves to the local community in the institution's branch by displaying samples, providing handouts, or displaying other related materials. In addition, BankFinancial's website has "Featured Business of the Month" which provides a direct link to the small business website. Each branch has the opportunity to select a business customer, typically a local area small business, and permits it to advertise within the branch office, usually for a one-month period, providing free marketing to many small businesses each year.

## **Community Development Services**

BankFinancial employees in the AA provide an adequate level of community development services by volunteering in a variety of organizations and partnerships. Employees served in leadership roles that benefited LMI persons, and provided technical assistance on financial and banking related matters to community groups, low- and moderate-income persons and families, and small businesses. Examples of such services include:

- An executive serves on the board of directors of an organization that provides college grants to LMI persons based on qualifications that include financial need.
- Several employees provide income tax preparation services to LMI persons through a park district.
- An assistant branch manager provides consumer counseling through a south suburban housing center in efforts to ensure that housing providers comply with fair housing laws.
- An assistant vice president serves on the board and assists in various programs offered by a local community homeless shelter.
- A vice president serves as treasurer of the board of directors for a women's shelter and recovery program.
- Several employees assisted LMI persons through food drives and collections for various different local organizations.

BankFinancial leases property in Hazel Crest, Olympia Fields, Libertyville South, Lincolnshire, and Downers Grove to certain not-for-profit community and social service organizations at a reduced rental rate. On average, these locations rent for a minimum of \$17.50 per square foot and the bank rents the property for \$10.00 per square foot. Additionally, BankFinancial does not charge common area maintenance, taxes or utilities. The majority of these leases were to community organizations assisting "at risk" youth and adults, and providing life or jobs skills. BankFinancial's service allows the community organizations to focus on their core missions, rather than spend limited management resources negotiating affordable space for their operations.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/2011 to 06/30/2013 Investment and Service Tests and CD Loans: 02/22/2011 to 08/19/2013	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
BankFinancial, FSB (Burr Ridge, IL)	Home Mortgage; Small Business and Community Development Loans. Qualified Investments; Retail and Community Development Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
AA consists of four Illinois counties (Lake, Cook, DuPage and Will) Part of Chicago-Naperville- Elgin IL-IN-WI MSA #16980	Full-Scope	