

BankFinancial CORP  
Form DEF 14A  
April 30, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
(AMENDMENT NO. )

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

BANKFINANCIAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

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

Payment of Filing Fee (Check the appropriate box)

No fee required.

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

- (1) Title of each class of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
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Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

April 30, 2014

Dear Fellow Stockholder:

On behalf of the Board of Directors of BankFinancial Corporation (the “Company”), I cordially invite you to attend our 2014 Annual Meeting of Stockholders. The meeting will be held at the Willowbrook Inn, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, on Tuesday, June 24, 2014, at 11:00 A.M., Chicago, Illinois Time.

At the Annual Meeting, our stockholders will vote on the election of two directors, the ratification of the engagement of Crowe Horwath LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014, and an advisory, non-binding resolution to approve our executive compensation.

The Board of Directors, acting on the recommendations of the Corporate Governance and Nominating Committee, has nominated incumbent F. Morgan Gasior and a new nominee, John W. Palmer, to serve as directors of the Company for three-year terms.

The Board of Directors recommends that you vote your shares as follows: FOR the election of our two director nominees; FOR the ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the year ending December 31, 2014; and FOR the approval on an advisory, non-binding basis of our executive compensation.

This year we will be using the “Notice and Access” method of providing proxy materials to you via the Internet in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). We believe that this process should provide you with a convenient and quick way to access your proxy materials and vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials. On or about April 30, 2014, we will mail to our stockholders a Stockholder Meeting Notice (“Meeting Notice”) containing instructions on how to access our proxy statement and 2013 Annual Report and how to vote. This notice also contains instructions on how to receive a paper copy of your proxy materials.

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

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

Very truly yours,

F. Morgan Gasior  
Chairman and Chief Executive Officer

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BANKFINANCIAL CORPORATION

15W060 North Frontage Road

Burr Ridge, Illinois 60527

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On June 24, 2014

To the Stockholders of BankFinancial Corporation:

Notice is hereby given that the Annual Meeting of Stockholders (the "Annual Meeting") of BankFinancial Corporation, a Maryland corporation, will be held at the Willowbrook Inn, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, on Tuesday, June 24, 2014, at 11:00 A.M., Chicago, Illinois Time, and any adjournments or postponements thereof.

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

1. To elect two directors for a three-year term and until their successors are duly elected and qualify;
2. To ratify the engagement of Crowe Horwath LLP as the independent registered public accounting firm of BankFinancial Corporation for the year ending December 31, 2014;
3. To consider an advisory, non-binding resolution to approve our executive compensation; and
4. To transact such other business as may properly come before the Annual Meeting, or any adjournments or postponements thereof; the Board of Directors and management are not aware of any such other business.

The Board of Directors has fixed the close of business on April 21, 2014 as the voting record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. Only those stockholders of record as of the close of business on that date will be entitled to vote at the Annual Meeting or any such adjournments or postponements. In the event that there are not sufficient votes to establish a quorum or to approve the foregoing proposals at the Annual Meeting, the meeting may be adjourned or postponed in order to permit the further solicitation of proxies. Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified above, or on the date or dates to which the Annual Meeting may be adjourned or postponed.

By Order of the Board of Directors

James J. Brennan

Secretary

Burr Ridge, Illinois

April 30, 2014

Important Notice Regarding the Availability of Proxy Materials for the 2014 Annual Meeting

Our Proxy Statement for the 2014 Annual Meeting and our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (which is our 2013 Annual Report) and the accompanying form of proxy are available online at [www.envisionreports.com/BFIN](http://www.envisionreports.com/BFIN).

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PROXY STATEMENT

BankFinancial Corporation  
15W060 North Frontage Road  
Burr Ridge, Illinois 60527

ANNUAL MEETING OF STOCKHOLDERS

June 24, 2014

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of BankFinancial Corporation of proxies to be voted at the Annual Meeting of Stockholders (the "Annual Meeting") that will be held at the Willowbrook Inn, 7800 South Kingery Highway (Route 83), Willowbrook, Illinois, on Tuesday, June 24, 2014, at 11:00 A.M., Chicago, Illinois Time, and any adjournments or postponements thereof.

This Proxy Statement and the accompanying Notice of Annual Meeting and proxy card are first being made available to the stockholders of BankFinancial Corporation on or about April 30, 2014. Whether or not you plan to attend the Annual Meeting, please read this Proxy Statement and authorize the voting of your shares by proxy by following the proxy authorization instructions appearing on the proxy card.

An Annual Report for the year ended December 31, 2013, which contains audited consolidated financial statements and other information pertaining to BankFinancial Corporation, accompanies this Proxy Statement.

THE COMPANY

BankFinancial Corporation, a Maryland corporation headquartered in Burr Ridge, Illinois, became the owner of all of the issued and outstanding capital stock of BankFinancial, F.S.B. (the "Bank") on June 23, 2005, when it consummated a plan of conversion and reorganization that the Bank and its predecessor holding companies, BankFinancial MHC, Inc. ("BankFinancial MHC") and BankFinancial Corporation, a federal corporation, adopted on August 25, 2004. BankFinancial Corporation, the Maryland corporation, was organized in 2004 to facilitate the mutual-to-stock conversion, and to become the holding company for the Bank upon the completion of the mutual-to-stock conversion. BankFinancial Corporation, the Maryland corporation, did not engage in any business prior to, and the separate corporate existences of BankFinancial MHC and BankFinancial Corporation, the federal corporation, ceased upon the completion of the mutual-to-stock conversion on June 23, 2005. Consequently, the words "Company," "we" and "our," as used in this Proxy Statement, are intended to refer to BankFinancial MHC, BankFinancial Corporation, the federal corporation, and their subsidiaries with respect to matters and time periods occurring on or before June 23, 2005, and to BankFinancial Corporation, the Maryland corporation, and its subsidiaries with respect to matters and time periods occurring after that date.

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VOTING AND RELATED MATTERS

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

Why am I receiving this Proxy Statement?

Our Board of Directors has made these materials available to you on the Internet or has delivered printed versions of these materials to you by mail in connection with the Board of Directors' solicitation of proxies for use at our Annual Meeting. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this Proxy Statement.

You are receiving this Proxy Statement from us because at the close of business on April 21, 2014, the record date for the Annual Meeting, you owned shares of our common stock, par value \$0.01, either directly or through a broker. This Proxy Statement describes the matters that will be presented for consideration by our stockholders at the Annual Meeting. It also gives you information concerning the matters to be considered at the Annual Meeting to assist you in making an informed decision.

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

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

What matters will be voted on at the Annual Meeting?

You are being asked to vote on the election of our two director nominees; the ratification of the engagement of Crowe Horwath LLP ("Crowe Horwath") as our independent registered public accounting firm for the year ending December 31, 2014; and an advisory, non-binding resolution to approve our executive compensation. These matters are more fully described in this Proxy Statement.

How do I vote?

Stockholders who own their shares in their name may vote in person at the Annual Meeting by filling out a ballot or may authorize a proxy to vote on his or her behalf. There are three ways to authorize a proxy:

1. Internet: You may access the proxy materials on the Internet at [www.envisionreports.com/BFIN](http://www.envisionreports.com/BFIN) and follow the instructions on the proxy card or on the Meeting Notice.
2. Telephone: You may call toll-free 1-800-652-VOTE (8683) and follow the instructions provided by the recorded message.
3. Mail: If you received your proxy materials by mail, you may vote by signing, dating and mailing the enclosed proxy card in the postage paid envelope provided.

Stockholders who vote over the Internet may incur costs, such as telephone and Internet access charges, for which the stockholder is responsible. The Internet and telephone voting procedures are designed to authenticate a stockholder's identity and to allow a stockholder to vote his or her shares and confirm that his or her instructions have been properly recorded. You may use the Internet or telephone to submit your proxy until 1:00 a.m., Chicago Time on the morning of the Annual Meeting, June 24, 2014.

Stockholders who hold shares in "street name," that is, through a broker, should instruct their broker to vote their shares by following the instructions provided by the broker. Your vote as a stockholder is important. Please vote as soon as possible to ensure that your vote is recorded. See "If I hold shares in the name of a broker, who votes my shares?" below.

What if I sign and date my proxy but do not provide voting instructions?

A proxy that is signed and dated, but which does not contain voting instructions will be voted as follows:

- "FOR" the two director nominees named in this Proxy Statement;
- "FOR" the ratification of the engagement of Crowe Horwath; and
- "FOR" the approval of the advisory, non-binding resolution to approve our executive compensation.



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What does it mean if I receive multiple proxy materials?

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with stockbrokers. If I hold shares in the name of a broker, who votes my shares?

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

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

What if I change my mind after I vote my shares?

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

- following the instructions for telephone or Internet voting appearing on your proxy card;
- signing another proxy card with a later date and returning the new proxy card by mail to our stock transfer agent and registrar, Computershare Trust Company, N.A., or by sending it to us to the attention of the Secretary of the Company, provided that the new proxy card is actually received by the Secretary before the polls close;
- sending notice addressed to the attention of the Secretary of the Company that you are revoking your proxy, provided that the notice is actually received by the Secretary before the polls close; or
- voting in person at the Annual Meeting in accordance with the established voting rules and procedures.

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

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

How are proxy materials delivered?

BankFinancial controls its costs by following SEC rules that allow for the delivery of proxy materials to the Company's stockholders via Notice and Access, which delivers materials through the Internet. In addition to reducing the amount of paper used in producing these materials, this method lowers the costs associated with mailing the proxy materials to stockholders. Stockholders who own shares directly and not through a broker will have a Meeting Notice delivered directly to their mailing address. Stockholders whose shares are held in the name of a broker will have a Meeting Notice forwarded to them by the broker that holds the shares. Stockholders who have requested paper copies of the proxy materials will receive this Proxy Statement, the 2013 Annual Report and a proxy card.

If you received only a Meeting Notice by mail, you will not receive a printed copy of the proxy material unless you request a copy by following the instructions on the notice. The Meeting Notice also contains instructions for accessing and reviewing the proxy materials over the Internet and provides directions for submitting your vote over the Internet. How do I request a paper copy of the proxy materials?

You may request a paper copy of the proxy materials by following the instructions below. You will be asked to provide your 15-digit control number located on your Meeting Notice.

1. Call the toll-free telephone number 1-866-641-4276 and follow the instructions provided, or
2. Access the website at [www.envisionreports.com/BFIN](http://www.envisionreports.com/BFIN) and follow the instructions provided, or





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3. Send an email to investorvote@computershare.com with “Proxy Materials BankFinancial Corporation” in the subject line. Include in the message your full name and address, plus the number located in the shaded bar on your Meeting Notice, and state in the email that you want a paper copy of current meeting materials.

Please make your request for a copy on or before June 10, 2014 to facilitate timely delivery before the Annual Meeting.

Stockholders who hold shares in “street name” that is, through a broker, should request copies of the proxy materials by following the instructions provided by the broker.

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

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

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

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

has properly submitted a signed proxy form or other proxy.

At the close of business on April 21, 2014, the record date, there were 21,101,966 shares of our common stock, par value \$0.01, issued and outstanding. Therefore, at least 10,550,984 shares need to be present at the Annual Meeting in person or by proxy in order for us to hold the Annual Meeting and conduct business.

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

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

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

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

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

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

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

How many votes may I cast?

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

Are there any limits on the voting of shares?

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



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from any person who is reasonably believed to beneficially own stock in excess of the 10% limit and reimbursement for all expenses incurred by us in connection with an investigation conducted by the Board of Directors pursuant to the provisions of Section F of Article 6 of the Charter.

How many votes are needed for each proposal?

The two individuals receiving the highest number of votes cast “FOR” their election will be elected as our directors, without regard to shares as to which the “FOR ALL EXCEPT” or “WITHHOLD” box has been selected on the proxy card.

The ratification of the engagement of Crowe Horwath as our independent registered public accounting firm for the year ending December 31, 2014 will require the affirmative vote of a majority of the votes cast at the Annual Meeting, in person or by proxy, without regard to either broker non-votes or shares as to which the “ABSTAIN” box has been selected on the proxy card.

The approval of the advisory, non-binding vote on executive compensation will require the affirmative vote of a majority of the votes cast at the Annual Meeting, without regard to either broker non-votes or shares as to which the “ABSTAIN” box has been selected on the proxy card. While this vote is required by law, it will neither be binding on the Company or its Board of Directors, nor will it create or imply any change in the fiduciary duties of or impose any additional fiduciary duties on the Company or its Board of Directors.

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

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

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

How does the Board recommend that I vote?

The Board of Directors recommends that you vote “FOR” the election of the two director nominees, “FOR” the ratification of the engagement of Crowe Horwath, and “FOR” the approval of the compensation of the Company’s named executive officers.

Proxy materials will be available on or about April 30, 2014 to stockholders of record as of April 21, 2014. On April 30, 2014, all stockholders of record and beneficial owners will have the ability to access all of the proxy materials on the website referenced above. These proxy materials will be available free of charge.

If you have any questions or need assistance in submitting your proxy, voting your shares or need paper copies of the proxy materials, free of charge, please contact Computershare, toll-free, at (866) 641-4276.

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

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

At the Annual Meeting, the stockholders of the Company will be requested to elect one class of directors consisting of two directors. The Corporate Governance and Nominating Committee of the Board of Directors has recommended, and the Board of Directors has nominated, F. Morgan Gasior and John W. Palmer for election as directors in this class of directors for a term of office that will expire at the Annual Meeting of Stockholders in 2017 and until their successors are duly elected and qualify.

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



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As described in a Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2013, the Company entered into a Standstill Agreement with John W. Palmer and PL Capital, LLC and certain of its affiliated parties, pursuant to which the Board of Directors of the Company and its Corporate Governance and Nominating Committee agreed to nominate and recommend Mr. Palmer for election as a director of the Company at the 2014 Annual Meeting of Stockholders.

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

Name	Position(s) Held in the Company	Director Since <sup>(1)</sup>	Term of Class to Expire
<b>NOMINEES</b>			
F. Morgan Gasior	Chairman of the Board, Chief Executive Officer and President	1983	2017
John W. Palmer	None	—	2017
<b>CONTINUING DIRECTORS</b>			
Cassandra J. Francis	Director	2006	2015
Thomas F. O'Neill	Director	2012	2015
Terry R. Wells	Director	1994	2015
John M. Hausmann, C.P.A.	Director	1990	2016
Glen R. Wherfel, C.P.A.	Director	2001	2016

Denotes the earlier of the year the individual became a director of BankFinancial, F.S.B. or the year the individual became a director of the Company or its predecessors, BankFinancial MHC and BankFinancial Corporation, the federal corporation. Messrs. Gasior, Hausmann and Wells have served as a director of the Company since its formation in 2004. Mr. Wherfel was appointed to the Board of Directors of the Company on May 18, 2006; Ms. Francis was appointed to the Board of Directors of the Company on September 27, 2006, and Mr. O'Neill was elected to the Board of Directors of the Company on June 26, 2012.

**Nominees**

The business experience for at least the past five years of each nominee for election to the Board of Directors and the qualifications of each nominee to serve as a director are set forth below, in each case as of April 21, 2014, with age information as of December 31, 2013.

F. Morgan Gasior. Age 50. Mr. Gasior has served as Chairman of the Board, Chief Executive Officer and President of the Company since its formation in 2004, and of the Bank since 1989, and as a director of the Bank since 1983. He held the same positions with the Company's predecessors, BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Gasior has been employed by the Bank in a variety of positions since 1984, and became a full-time employee in 1988 when he was appointed as Executive Vice President and Chief Operating Officer. Mr. Gasior serves as the Chairman of the Executive Committees of the Company and the Bank and is a member of the Asset Quality and Asset Liability Management Committees of the Bank. He was also a director and officer of Financial Assurance Services, Inc. from 1989 through 2003. Mr. Gasior is licensed as an attorney in the States of Illinois and Michigan, but he does not actively practice law.

Mr. Gasior brings to the Board, among other skills and qualifications, comprehensive understanding of the Bank's strategies, operations and customers based on his more than 30 years of service as an employee and officer of the Bank. He has led the development and implementation of the Bank's financial, lending, operational, technology and expansion strategies, and this experience has uniquely positioned him to adjust the Company's business strategies to respond to changing economic, regulatory and competitive conditions, and to discern and coordinate operational changes to match these strategies. His position on the Board also provides a direct channel of communication from senior management to the Board.

John W. Palmer. Age 53. Mr. Palmer is the co-founder and a principal of PL Capital, LLC, an investment firm specializing in the banking industry. Prior to co-founding PL Capital in 1996, Mr. Palmer was employed as a certified public accountant by KPMG LLP, an international public accounting firm, from 1983 to 1996, and was promoted to the position of Director, KPMG Financial Services - Capital Strategies Group in 1994. Mr. Palmer also serves on the Boards of HF Financial Corp., a publicly-traded \$1.2 billion in assets thrift holding company, and on its wholly-owned subsidiary, Home Federal Bank, located in Sioux Falls, South Dakota which operates 27 branches throughout South Dakota and Minneapolis, Minnesota. At HF Financial Corp.,

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he is a member of the Audit Committee, the Personnel, Compensation and Benefits Committee and is Chairman of the Risk Oversight Committee. Mr. Palmer formerly served on the board of CFS Bancorp, Inc., a publicly-traded \$1.2 billion in assets thrift holding company and on its wholly-owned subsidiary, Citizens Financial Bank, located in Munster, Indiana which operated 22 branches throughout the adjoining markets in Chicagoland and Northwest Indiana. Mr. Palmer was a member of the Audit Committee of CFS Bancorp, Inc. He is the former Chairman of the Board of Directors of Security Financial Bancorp, Inc., and also previously served as a director of Franklin Bancorp and its wholly owned subsidiary Franklin Bank, NA, where he also served on the audit, compensation, and loan committees of the board and as Chairman of the strategic planning committee. He formerly served on the Board of Directors of Clever Ideas, Inc., a privately-held specialty finance company located in Chicago, Illinois from 1998 to 2006.

Mr. Palmer brings to the Board his experience as a director of other banks and his financial expertise.

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

Continuing Directors

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

Cassandra J. Francis. Age 48. Ms. Francis currently serves as the President and CEO of Friends of the Parks, a forty year old, non-profit advocacy organization whose mission is to preserve, protect, improve and promote the use of parks and preserves throughout Chicago. Previously, she served as Principal of Kariatid, LLC, and was the sole proprietor of Puddle Jump Properties, which provided management, real estate and construction-related strategic planning and program and project advisory services to public, private and non-profit organizations and professional associations. Ms. Francis also previously served as Executive Director and Vice President of Clayco, Inc., a national design-build construction firm, as the Director of Olympic Village Development for Chicago's bid to host the 2016 Summer Olympic and Paralympic Games, and held various management positions, including Senior Vice President with U.S. Equities Development, L.L.C. from 1995 to 2008. Ms. Francis is an accredited member of the American Institute of Certified Planners, is an LEED accredited professional, and is licensed as a Real Estate Managing Broker in the State of Illinois and as a Real Estate Principal Broker in the State of Indiana. She is also a former member of the International Board of Governors of Lambda Alpha International, an honorary land economics society, is a Fellow of the Royal Institution of Chartered Surveyors and is an admitted member of the Counselors of Real Estate, the consulting arm of the National Association of Realtors. Ms. Francis also serves on the Chicago Advisory Board of the Urban Land Institute, and the board of the Chicago Loop Alliance, a business organization that supports economic development, programming and improvements to Chicago's central business district's built environment. Ms. Francis has been a director of the Company and the Bank since 2006, and is a member of the Asset Liability Management Committee of the Bank, and since the Company's 2012 Annual Meeting of Stockholders, has been a member of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company.

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

John M. Hausmann, C.P.A. Age 58. Mr. Hausmann has been a self-employed certified public accountant since 1980. Prior to that time, he was an accountant with Arthur Andersen. Mr. Hausmann is a member of the American Institute of Certified Public Accountants and the Illinois Certified Public Accountant Society. He has been a director of the Company since its formation in 2004, and of the Bank since 1990. He was a director of the Company's predecessors, BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Hausmann is the Chairman of the Audit Committees of the Company and the Bank, is a member of the Executive Committees of the Company and the Bank and since the Company's 2013 Annual Meeting of Stockholders, has been a member of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company.

Mr. Hausmann brings to the Board, among other skills and qualifications, a comprehensive understanding of accounting, auditing and taxation principles based on his many years of experience as a certified public accountant. His experience as a member of the Audit Committee has provided him with a thorough knowledge of the Company's internal controls and internal and external audit procedures. His tax and accounting practice and longtime residency in



the Bank's southernmost market territory have also provided him with a unique familiarity with the needs of the Bank's small business and municipal customers and communities.

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Thomas F. O'Neill. Age 67. Mr. O'Neill is a founding member of The Kimberlite Group and is the co-CEO of Kimberlite Advisors, a registered broker-dealer that provides advisory and institutional capital raising services. Prior to forming Kimberlite in 2013, he was the Chairman of Ranieri Partners Financial Services Group, a company formed to acquire and manage financial services companies, including money management and investment management firms. Mr. O'Neill also worked with Ranieri Partners' investment funds and operating companies. In 2010, Mr. O'Neill retired from Sandler O'Neill & Partners, an investment banking firm he co-founded in 1988 that advises banks, thrifts and other domestic and international financial services firms on a broad range of strategic and transactional matters, including mergers and acquisitions and other strategic transactions, capital formation and financings, asset - liability management and asset purchases and dispositions. Prior to co-founding Sandler O'Neill, Mr. O'Neill was a Managing Director at Bear Stearns and was the Co-Manager of Bear Stearns' Financial Services Group. Mr. O'Neill began his career at L.F. Rothschild & Co. in 1972, where he served as the Managing Director of the Bank Service Group. Mr. O'Neill currently serves on the Boards of Directors of the NASDAQ, the Archer Daniels Midland Company and Misonix, Inc. He is a member of the Finance Committee for the NASDAQ and is a member of the Finance Committee for the Archer Daniels Midland Company. Mr. O'Neill has been a director of the Company and a member of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company since the 2012 Annual Meeting.

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

Terry R. Wells. Age 55. Mr. Wells has served as the Mayor of the Village of Phoenix, Illinois since 1993. Mr. Wells has also taught history and social studies since 1981 at the elementary and high school levels, and presently teaches U.S. History at Thornton Township High School in Harvey, Illinois. He is also a member of the Board of Directors of Pace, a Division of the Regional Transportation Authority (Illinois), and the Board of Trustees of South Suburban College. Mr. Wells served as President of the South Suburban Mayors and Managers Association from 2009 through 2010. Mr. Wells has been a director of the Company since its formation in 2004, and of the Bank since 1994. He was a director of the Company's predecessors, BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Wells is a member of the Audit Committees of the Company and Bank, and has been a member of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company since the Company's 2012 Annual Meeting of Stockholders and the Chairman of the Corporate Governance and Nominating Committee since the Company's 2013 Annual Meeting of Stockholders.

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

Glen R. Wherfel, C.P.A. Age 64. Mr. Wherfel has been a principal in the accounting firm of Wherfel & Associates since 1984 and President of Park Data Incorporated. Mr. Wherfel was a director of Success National Bank from 1993 to 2001, and of Success Bancshares from 1998 to 2001. He was the Chairman of Success National Bank's Loan Committee and a member of its Asset Liability Management Committee. Mr. Wherfel has been a director of the Company since 2006, and of the Bank since 2001. Mr. Wherfel is a member of the Asset Quality Committee of the Bank, and has been a member of the Audit Committee of the Company since the Company's 2012 Annual Meeting of Stockholders. He has been a member of the Corporate Governance and Nominating Committee and the Human Resources Committee of the Company since the Company's 2013 Annual Meeting of Stockholders.

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

Director Independence

The Board of Directors has determined that, except for Mr. Gasior, who serves as the Chairman, Chief Executive Officer and President of the Company, each of the Company's directors is "independent" as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market. The Bank made certain secured real estate loans to Ms. Francis and her spouse prior to Ms. Francis' appointment as a director in 2006, and these loans were considered to be grandfathered from the Bank's practice of not making loans to directors or executive officers. This extension of credit was made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with persons not related to the Bank, does not involve more than normal risk of collectability or present other unfavorable features, and is not past due or classified as nonaccrual, restructured or a potential problem loan.

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Executive Officers Who Are Not Directors

Set forth below is information, as of April 21, 2014, with age information as of December 31, 2013, regarding the principal occupations for at least the past five years of the individuals who serve as executive officers of the Company and/or the Bank who are not directors of the Company or the Bank. All executive officers of the Company and the Bank are elected annually by their respective Boards of Directors and serve until their successors are elected and qualify. No executive officer identified below is related to any director or other executive officer of the Company or the Bank. Except as indicated elsewhere in this Proxy Statement, there are no arrangements or understandings between any officer identified below and any other person pursuant to which any such officer was selected as an officer.

Gregg T. Adams. Age 54. Mr. Adams has served as the Executive Vice President of the Marketing and Sales Division of the Bank since 2001 and was the Senior Vice President of the Marketing and Sales Division from 2000 to 2001. Mr. Adams joined the Bank in 1986 and has served in various positions with the Bank and its former real estate subsidiary, Financial Properties, Inc., including as Vice President of Marketing Development. Mr. Adams is also a director of Financial Assurance Services, Inc.

James J. Brennan. Age 63. Mr. Brennan has served as the Secretary and General Counsel of the Bank since 2000 and of the Company since its formation in 2004, and held the same positions with BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 2000 to 2005. Mr. Brennan also serves as the Executive Vice President of the Corporate Affairs Division of the Company and the Bank. Mr. Brennan was a practicing attorney from 1975 until 2000. Prior to joining the Bank and its parent companies, he was a partner in the law firm of Barack Ferrazzano Kirschbaum & Nagelberg, Chicago, Illinois, and was the Co-Chairman of the firm's Financial Institutions Group and a member of its Management Committee. Mr. Brennan is also a director of Financial Assurance Services, Inc.

Paul A. Cloutier, C.P.A. Age 50. Mr. Cloutier has served as the Chief Financial Officer and Treasurer of the Company since its formation in 2004, of the Bank since 1991, and of BankFinancial MHC and BankFinancial Corporation, a federal corporation, from 1999 to 2005. Mr. Cloutier also serves as the Executive Vice President of the Finance Division of the Company and the Bank. He is a registered certified public accountant in the State of Michigan and is a member of the American Institute of Certified Public Accountants. Prior to joining the Bank and its parent companies, he was a Senior Tax Associate with Coopers & Lybrand.

William J. Deutsch, Jr. Age 46. Mr. Deutsch has served as the President of the Bank's National Commercial Leasing Division since January 2011, and was the Senior Vice President of the National Commercial Leasing Division from 2002 to 2011. Prior to joining the Bank, Mr. Deutsch was the Senior Vice President – Lease Finance Group for the First Bank of Highland Park.

John G. Manos. Age 53. Mr. Manos has served as the President of the Bank's Commercial Real Estate Division since April 2014, and was the Regional President of the Bank's Southern Region from 2006 to 2014. He has held various positions with the Bank since 1999, including Senior Vice President, Vice President and Senior Vice President of Regional Commercial Banking. Prior to joining the Bank, Mr. Manos was the Manager – Commercial Lending for Preferred Mortgage Associates.

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The following table sets forth, as of April 21, 2014, certain information as to the beneficial ownership of shares of the Company's common stock by: (i) those persons or entities known by the Company to beneficially own more than 5% of the Company's outstanding shares of common stock; (ii) each director and nominee for election as director; (iii) each named executive officer of the Company; and (iv) all directors and executive officers of the Company and the Bank as a group. The address for each individual listed below is: care of BankFinancial Corporation, 15W060 North Frontage Road, Burr Ridge, Illinois 60527. An asterisk denotes beneficial ownership of less than one percent.

Name and Address of Beneficial Owners	Amount of Shares Owned and Nature of Beneficial Ownership <sup>(1)</sup>		Percent of Shares of Common Stock Outstanding
Wellington Management Company, LLP 280 Congress Street Boston, Massachusetts 02210 BankFinancial, F.S.B.	2,054,614	(2)	9.74%
Employee Stock Ownership Plan Trust 2321 Kochs Lane Quincy, Illinois 62305	1,817,716	(2)	8.61%
Dimensional Fund Advisors LP 6300 Bee Cave Road Building One Austin, Texas 78746	1,640,359	(2)	7.77%
PL Capital 20 East Jefferson Ave., Suite 22 Naperville, IL 60540	1,408,152	(3)	6.67%
Black Rock, Inc. 40 East 52nd Street New York, New York 10022	1,359,211	(2)	6.44%
Directors and Nominees			
Cassandra J. Francis	25,500		*
F. Morgan Gasior	292,698	(4)	1.39%
John M. Hausmann	57,288		*
Thomas F. O'Neill	100		*
John W. Palmer	1,408,152	(3)	6.67%
Joseph A. Schudt	103,919	(5)	*
Terry R. Wells	47,000		*
Glen R. Wherfel	61,313	(6)	*
Named Executive Officers (other than Mr. Gasior):			
Paul A. Cloutier	95,163	(7)	*
William J. Deutsch, Jr.	41,347	(8)	*
James J. Brennan	178,004	(9)	*
Gregg T. Adams	71,916	(10)	*
All Directors, Nominees and Executive Officers (including Named Executive Officers) as a Group (13 persons)	2,478,027		11.74%

Footnotes on following page.



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- The information reflected in this column is based upon information furnished to us by the persons named above (1) and the information contained in the records of our stock transfer agent. The nature of beneficial ownership for shares shown in this column, unless otherwise noted, represents sole voting and investment power.
- (2) Amount of shares owned and reported on the most recent Schedule 13G filings with the SEC, reporting ownership as of December 31, 2013.  
Information included is based solely on a Schedule 13D/A filed on December 31, 2013 by PL Capital, LLC., Financial Edge Fund, L.P., Financial Edge–Strategic Fund, L.P., Goodbody/PL Capital, L.P., Goodbody/PL Capital, LLC, PL Capital Advisors, LLC, John W. Palmer, Richard J. Lashley, Beth Lashley, PL Capital/Focused Fund,
- (3) L.P., Albernet OU, Dr. Irving A. Smokler, and Lashley Family 2011 Trust. Certain of these parties report sole and/or shared voting and dispositive power with respect to these securities. Mr. Palmer has no sole voting nor dispositive power.  
Includes 37,985 shares held by the BankFinancial and Subsidiaries Associate Investment Plan and 12,213 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan. Also includes 122,500 shares held in trust for
- (4) Mr. Gasior’s spouse and 2,500 shares held by Mr. Gasior’s spouse’s individual retirement account. Mr. Gasior disclaims beneficial ownership of these 125,000 shares.  
Includes 67,503 shares held in trust and 30,438 shares held by an individual retirement account. In addition,
- (5) includes 5,977 shares held by Mr. Schudt’s spouse’s individual retirement account. Mr. Schudt disclaims beneficial ownership of these 5,977 shares. Mr. Schudt is retiring from the Board of Directors effective on the date of the 2014 Annual Meeting of Stockholders; however, he will remain as a director of BankFinancial, F.S.B.
- (6) Includes 28,813 shares held in trust and 7,500 shares held by an individual retirement account.
- (7) Includes 12,213 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan. Mr. Cloutier’s holdings include 82,950 shares of common stock subject to pledge.
- (8) Includes 17,265 shares held by the BankFinancial and Subsidiaries Associate Investment Plan and 11,802 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan.  
Includes 80,490 shares held by the BankFinancial and Subsidiaries Associate Investment Plan, 12,213 shares held
- (9) by the BankFinancial, F.S.B. Employee Stock Ownership Plan. Also includes 300 shares held directly by Mr. Brennan’s spouse. Mr. Brennan disclaims beneficial ownership of these 300 shares.
- (10) Includes 37,888 shares held by the BankFinancial and Subsidiaries Associate Investment Plan and 12,028 shares held by the BankFinancial, F.S.B. Employee Stock Ownership Plan.

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

The Company’s executive officers, directors and beneficial owners of greater than 10% of the outstanding shares of the Company’s common stock are required to file reports with the SEC disclosing beneficial ownership and changes in beneficial ownership of the Company’s common stock. SEC rules require disclosure if an executive officer, director or 10% beneficial owner fails to file these reports on a timely basis. Based on the Company’s review of ownership reports required to be filed for the year ended December 31, 2013, no executive officer, director or 10% beneficial owner of shares of the Company’s common stock failed to file any required ownership report on a timely basis during this period.

**CODE OF ETHICS**

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

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

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

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



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

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

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

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

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

### **BOARD COMMITTEE REPORTS, POLICIES AND PROCEDURES**

#### **Meetings and Committees of the Board of Directors**

**Board of Directors and Committees.** The business of the Company is conducted at regular and special meetings of the Board of Directors and its committees. In addition, the "independent" members of the Board of Directors, as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market, meet in executive sessions. The standing committees of the Board of Directors of the Company are the Executive, Audit, Corporate Governance and Nominating, and Human Resources Committees. During the year ended December 31, 2013, the Board of Directors of the Company held four regular meetings and one special meeting. No member of the Board of Directors or any Board committee attended less than 75% of the Board meetings and the Board committee meetings on which the director served. In addition, a number of matters were evaluated, considered and/or decided during the year by electronic distribution and voting or consent.

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

Directors	Executive Committee	Audit Committee	Corporate Governance and Nominating Committee	Human Resources Committee
Cassandra J. Francis			ü	ü
F. Morgan Gasior	Chair			
John M. Hausmann	ü	Chair	ü	ü
Thomas F. O'Neill			ü	ü
Joseph A. Schudt <sup>(1)</sup>	ü		ü	Chair
Terry R. Wells		ü	Chair	ü
Glen R. Wherfel		ü	ü	ü
Meetings held during 2013	—	6	3	3

<sup>(1)</sup> Mr. Schudt is retiring from the Board of Directors effective on the date of the 2014 Annual Meeting of Stockholders.

**Executive Committee.** The Executive Committee is authorized to act with the same authority as the Board of Directors between meetings of the Board of Directors, subject to certain limitations contained in the bylaws of the Company. The members of the Executive Committee of the Company also serve as members of the Executive Committee of the Bank. The special meeting held by the Board of Directors in 2013 made it unnecessary for the Executive Committee to hold separate meetings.

**Audit Committee.** The Board of Directors has adopted a written charter for the Audit Committee. The Audit Committee Charter was amended in April 2014 and is attached as Appendix A to this Proxy Statement. As more fully described in the Audit Committee Charter, the Audit Committee reviews the records and affairs of the Company to determine its financial condition, reviews with management and the Company's independent registered public accounting firm the systems of internal control over financial reporting, and monitors adherence in accounting and financial reporting to accounting principles generally accepted in the United States. Each member of the Audit Committee is an "independent" director as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market and Rule 10A-3 of the Securities Exchange Act of 1934, as amended. In addition, the Board of Directors has determined that Messrs. Hausmann and Wherfel are qualified as "audit committee financial experts" as currently defined in the regulations of the SEC.

**Corporate Governance and Nominating Committee.** The Board of Directors has adopted a written charter for the Corporate Governance and Nominating Committee, which was attached as Appendix B to the Proxy Statement for the 2012 Annual Meeting. The Corporate Governance and Nominating Committee consists, at any point in time, of directors of the Company who qualify as "independent" in accordance with the listing standards of the NASDAQ Stock Market, except that no director may serve on the Corporate Governance and Nominating Committee at any meeting at which he or she has been or is seeking to be proposed as a nominee.

The Corporate Governance and Nominating Committee identifies nominees by first evaluating the current members of the Board of Directors who are willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If vacancies on the Board of Directors arise, or if a current director is not nominated for re-election, the Corporate Governance and Nominating Committee will determine the skills and experience desired of a new nominee, solicit suggestions for director candidates from all members of the Board of Directors, and may engage in other search activities. During the year ended December 31, 2013, the Company did not pay a fee to any third party to identify or evaluate, or assist in identifying or evaluating, potential nominees for director.

Candidates for a directorship should possess specific attributes, including integrity and a devotion to ethical behavior, a primary interest in the well-being of the Company, a capacity for independent judgment, good business acumen, the capacity to protect confidential information, an ability to work as a member of a team and a willingness to evaluate

other opinions or points of view. In addition to examining a candidate's qualifications in light of the above attributes, the Corporate Governance and Nominating Committee would also consider the overall character of the candidate and any existing or potential conflict of interest, the candidate's willingness to serve and ability to devote the time and effort required, the candidate's record of leadership, and the ability to develop business for the Company and its subsidiaries.

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

The Corporate Governance and Nominating Committee may consider qualified candidates for a directorship suggested by the stockholders of the Company. Stockholders may suggest a qualified candidate for a directorship by writing to BankFinancial Corporation at 15W060 North Frontage Road, Burr Ridge, Illinois 60527, Attention: James J. Brennan, Secretary, and providing the information described in the Company's bylaws concerning the suggested candidate. A suggestion made to the Company's Secretary concerning a potential candidate for a directorship will not constitute a nomination of the suggested candidate for election as a director. All nominations of candidates for election as a director must strictly comply with the applicable requirements and time limits summarized on page 32 in "Advance Notice of Business to be conducted at an Annual Meeting."

Human Resources Committee. The Board of Directors has adopted a written charter for the Human Resources Committee. The Human Resources Committee Charter was amended in August 2013 and is attached as Appendix B to this Proxy Statement. The Human Resources Committee reviews and approves executive compensation, benefit plans, incentive compensation plans and employment agreements, and makes recommendations with respect to those matters to the Board of Directors. Each member of the Human Resources Committee is "independent" as defined in Rule 5605(a)(2) of the listing standards of the NASDAQ Stock Market. The meetings of the Human Resources Committee were conducted outside the presence of management to discuss compensation, performance and employment related matters.

### AUDIT COMMITTEE REPORT

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

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

Reviewed and discussed with management the Company's audited consolidated financial statements for the year ended December 31, 2013;

Discussed with the Company's independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees; and

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

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the SEC.

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

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

Terry R. Wells

Glen R. Wherfel, C.P.A.

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

The Company's Audit Committee has engaged Crowe Horwath to act as the Company's independent registered public accounting firm for the year ending December 31, 2014, subject to the ratification of the engagement by the Company's stockholders. A representative of Crowe Horwath is expected to attend the Annual Meeting and will have the opportunity to make a statement, if he or she so desires, as well as to respond to appropriate questions that may be asked by a stockholder. If the appointment of the independent registered public accounting firm is not ratified, the matter of the appointment of the independent registered public accounting firm will be considered by the Company's

Audit Committee.

The Board of Directors recommends a vote “FOR” the ratification of the engagement of Crowe Horwath LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2014.

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### Accounting Fees and Services

Set forth below is certain information concerning aggregate fees billed for professional services rendered by Crowe Horwath during the years ended December 31, 2013 and 2012:

**Audit Fees.** The aggregate fees billed to the Company by Crowe Horwath for professional services rendered by Crowe Horwath for the audit of the Company's annual financial statements and internal controls, review of the financial statements included in the Company's Annual Reports on Form 10-K and services that are normally provided by Crowe Horwath in connection with statutory and regulatory filings and engagements were \$391,000 and \$381,000 during the years ended December 31, 2013 and 2012, respectively.

**Audit-Related Fees.** The aggregate fees billed to the Company by Crowe Horwath for assurance and related services rendered by Crowe Horwath that are reasonably related to the performance of the audit of and review of the financial statements and that are not already reported in "Audit Fees" above, were \$28,000 and \$15,800 during the years ended December 31, 2013 and 2012, respectively. These fees were paid for the annual audit of fiduciary activities that is required by the regulations of the Office of the Comptroller of the Currency for each of the years ended December 31, 2013 and 2012, as well as a document custody review for the year ended December 31, 2013 as required by the Federal National Mortgage Corporation. Fees for services related to the Bank's ESOP and 401(k) Plans were paid directly by the Plans.

**Tax Fees.** The aggregate fees billed to the Company by Crowe Horwath for professional services rendered by Crowe Horwath for tax consultations and tax compliance were \$39,400 and \$50,100 during the years ended December 31, 2013 and 2012, respectively.

### Audit Committee Pre-Approval Policy

The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by Crowe Horwath, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee approved the audit, audit-related and tax related fees described above during the years ended December 31, 2013 and 2012.

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion and Analysis describes the Company's compensation philosophy and policies for 2013 as applicable to the executive officers named in the Summary Compensation Table. This section explains the structure and rationale associated with each material element of the named executive officers' compensation, and it provides context for the more detailed disclosure tables and specific compensation amounts provided in the following section. It is important to note that the Company and the Bank share an executive management team, and except for awards made pursuant to the Company's 2006 Equity Incentive Plan (the "2006 EIP"), the members of the executive management team are compensated by the Bank rather than the Company, and the Company reimburses the Bank for their services to the Company through intercompany expense allocations. The compensation packages of the named executive officers are determined and approved by the Human Resources Committee based upon each officer's performance and roles for both the Company and the Bank.

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

Pursuant to its Charter, the Human Resources Committee is directly responsible for the execution of the Board of Directors' responsibilities with respect to compensation, performance evaluation and succession planning for the Company's Chief Executive Officer and other named executive officers. The Human Resources Committee is also responsible for the submission of an annual report on executive compensation to the Board of Directors for inclusion in the Company's Annual Report on Form 10-K. Since the Company's 2013 Annual Meeting of Stockholders, the Human Resources Committee has been comprised of Messrs. Schudt (Chairman), Hausmann, O'Neill, Wells, and Werfel, and Ms. Francis, each of whom is expected to serve on the committee through the conclusion of the Company's Annual Meeting of Stockholders on June 24, 2014. Each of the members of the Human Resources Committee is considered "independent" according to the listing standards of the NASDAQ Stock Market, an "outside" director pursuant to Section 162(m) of the Internal Revenue Code, and a "non-employee" director under Section 16 of the Securities Exchange Act of 1934.



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### Compensation Philosophy and Objectives

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

- encourage a consistent and competitive return to stockholders over the long-term;
- maintain a corporate environment that encourages stability and a long-term focus for the primary constituencies of the Company, including employees, stockholders, communities, clients and government regulatory agencies;
- maintain a program that:
  - clearly motivates personnel to perform and succeed according to the current goals of the Company;
  - provides management with the appropriate empowerment to make decisions that benefit the primary constituents;
  - attracts and retains key personnel critical to the long-term success of the Company;
  - provides for management succession planning and related considerations;
  - encourages increased productivity; and
  - provides for subjective consideration in determining incentive and compensation components; and
- ensure that management:
  - fulfills its oversight responsibility to its primary constituents;
  - conforms its business conduct to the Company's established ethical standards;
  - remains free from any influences that could impair or appear to impair the objectivity and impartiality of its judgments or treatment of the constituents of the Company; and
  - avoids any conflict between its responsibilities to the Company and each executive officer's personal interests.

### Compensation Committee Interlocks and Insider Participation

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

### Compensation Consultant Conflicts of Interest

The Human Resources Committee engaged Frederic W. Cook & Co., Inc. ("Cook & Co.") to assist in the preparation of the compensation aspects of reports filed with the SEC and to be available for consultations with outside counsel to the Human Resources Committee. The Compensation Committee has received and reviewed the Cook & Co. consultant independence letter and independence policy addressing factors identified by SEC rules to determine whether certain conflicts of interest disclosures must be made. Cook & Co. believes that there is no conflict of interest in its role as an advisor to the committee. The following factors were assessed by the committee: Cook & Co.'s provision of services other than the executive and non-employee director compensation matters; the amount of fees received from the Company by Cook & Co. as a percentage of the total revenue of Cook & Co.; the policies and procedures of Cook & Co. that are designed to prevent conflicts of interest; the extent of any business or personal relationships with any member of the committee or any executive officer of the Company; and any ownership of the Company's stock by individuals on the consulting team employed by Cook & Co. After considering these and other factors in their totality, no conflicts of interest with respect to Cook & Co.'s advice were identified by the committee.

### Compensation Principles and Factors

**Business Plan Objectives.** The Boards of Directors of the Company and the Bank periodically conduct a review of current and anticipated business conditions in the context of the Company's and the Bank's financial and competitive position. The review period typically includes at least the previous two fiscal years and up to five years prospectively. In connection with this review, management submits a business plan to the Boards of Directors of the Company and the Bank that proposes strategic, financial and management objectives for the period covered, using multiple scenarios in response to a variety of stated assumptions. The Boards of Directors then evaluate the proposed business plan, and modify its provisions to the extent they deem appropriate. The business plan is updated by management and the



Boards of Directors periodically throughout the year to respond to changing circumstances and conditions. The business plan provides a basis for evaluating the future progress of the organization, including all appropriate strategic alternatives, and management's performance pursuant to the Human Resources Committee's Charter.

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For 2013, the Human Resources Committee considered the Company's and the Bank's performance within the context of the 2013 business plan and management's overall performance, weighing numerous factors within and outside of management's control.

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

For purposes of comparative analysis in assessing corporate performance, the Company generally considers commercial banks and savings institutions of similar asset size. Given the ever-changing landscape within the banking industry, there is no specifically defined group of companies that is utilized for this analysis. The group of comparative financial institutions used in 2013 to assess overall performance consisted of local publicly-held financial institutions. The local financial institutions that were considered in 2013 included Taylor Capital Group, Inc. (TAYC), First Midwest Bancorp, Inc. (FMBI), MB Financial, Inc. (MBFI), Wintrust Financial Corporation (WTFC) and PrivateBancorp Inc. (PVTB). A broader group consisting of these publicly-held institutions and a number of privately-held local financial institutions was used to evaluate the improvements that occurred in the Company's asset quality metrics.

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

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

**Information Resources and Role of Compensation Consultants.** In reviewing current and proposed compensation levels for named executive officers, the Human Resources Committee considers the organizational structure and composition of the Company and the Bank, external information from public sources on peer and competitor compensation practices and levels and other information it deems relevant to its responsibilities. The Human Resources Committee continued to have access to its own outside counsel and compensation consultant during 2013. The Human Resources Committee engaged Cook & Co. to assist in the preparation of the compensation aspects of reports filed with the SEC and to be available for consultations with outside counsel to the Human Resources Committee, but did not engage an independent compensation consultant for any other specific purpose in the 2013 review process because it believed it had sufficient information from external, independent public sources to execute

its responsibilities.

**Components of Executive Compensation**

General. All named executive officers of the Company, including the Chief Executive Officer, are currently executive officers of the Bank. On May 19, 2006, the Company adopted the 2006 EIP, and it was subsequently approved by the Company's stockholders at the 2006 Annual Meeting. Except for awards made pursuant to the 2006 EIP, the Company does not separately compensate its named executive officers. The compensation that the Bank pays to its named executive officers, however, is

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taken into account in establishing the intercompany expense allocations that the Company pays to the Bank. In connection with its mutual-to-stock conversion in 2005, the Bank also established a tax-qualified employee stock ownership plan (“ESOP”), and named executive officers are eligible to participate in the ESOP subject to vesting and other requirements and limitations applicable to all participants generally.

Base Salary. Generally, base salary levels are established based on job descriptions and responsibilities, either temporary or permanent in nature (including any revisions or proposed revisions thereto), competitive conditions and general economic trends in the context of the Bank’s financial and franchise condition, and performance. The Human Resources Committee determined that the base compensation of the Company’s named executive officers would not be increased in 2014.

In 2014, the base salaries for the named executive officers are as follows:

Name	Position	2014 Base Salary <sup>(1)</sup>
F. Morgan Gasior	Chairman of the Board, Chief Executive Officer and President	\$405,804
Paul A. Cloutier	Executive Vice President and Chief Financial Officer	\$271,998
William J. Deutsch, Jr.	National Commercial Leasing President	\$205,000
James J. Brennan	Executive Vice President, Corporate Secretary and General Counsel	\$325,468
Gregg T. Adams	Executive Vice President, Marketing and Sales	\$230,625

The base salaries for Messrs. Deutsch and Adams were effective as of March 26, 2012; the base salaries for (1) Messrs. Cloutier and Brennan have remained the same since 2011; and the base salary for Mr. Gasior has remained the same since 2009.

Non-Equity Incentive Plan Compensation. Annual cash incentive compensation for the Chief Executive Officer and the Chief Financial Officer reflects the relative achievement of the strategic, financial and management objectives established by the business plan, management’s responses to unforeseen circumstances or conditions that materially differ from those originally assumed, and the individual performance factors established for each individual. Annual cash incentive compensation for these individuals is generally established as a range of possible awards based on a percentage of base salary. Other factors considered include recent changes or proposed changes to base salary or other compensation elements, as well as competitive considerations. The Human Resources Committee determined that no cash incentive compensation would be paid to the Company’s Chief Executive Officer and the Chief Financial Officer for the year ended December 31, 2013.

Historically, the Company prepared performance- and risk-based incentive compensation matrices for the Chief Executive Officer and the Chief Financial Officer. Taken together, these matrices incorporated direct relationships of the Company’s principal risk exposures and performance based on the Human Resources Committee’s assessments. The matrices were not utilized to evaluate the eligibility of the Chief Executive Officer and the Chief Financial Officer for cash incentive compensation for the year ended December 31, 2013 due to the Human Resources Committee’s determination that these individuals would not be awarded cash incentive compensation for the year ended December 31, 2013. However, information with respect to these matrices is provided below.

Annual cash incentive compensation for the National Commercial Leasing President is based on the 2013 National Commercial Leasing President Incentive Compensation Plan, which takes into account the extent, if any, to which National Commercial Leasing originations and average outstanding balances exceeded the base amounts established in the business plan. The National Commercial Leasing President surpassed his 2013 base expectations and was awarded annual cash incentive compensation. The individual awards applicable to the National Commercial Leasing President are discussed in “Conclusions for the Year Ended December 31, 2013.”

Bonus. In 2013, the Company’s business plan assumptions included a total annual bonus payment between 1% and 5% of base salary for the National Commercial Leasing President based on an assessment of his execution of his applicable responsibilities and provided that, after taking into consideration factors both within and outside of his and the Bank’s control, the Company’s overall financial performance was generally consistent with the overall projected business plan results. The Company does not use an empirical mathematical formula to determine the amount of the actual annual cash incentive compensation for these bonuses. The Human Resources Committee determined that no bonus would be paid to the National Commercial Leasing President for the year ended December 31, 2013.

Equity-Based Compensation. The 2006 EIP established a mechanism by which awards of restricted stock or stock options could be utilized to further align the financial interests of employees, including the named executive officers, with stockholders and, in the future, provide an additional means to attract, retain and reward individuals who contribute to the success of the Company. The Human Resources Committee has established share ownership guidelines (as described below) for the named

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executive officers and other executive officers. The Human Resources Committee also considers the significant financial investment required of a participant who retains shares granted under the 2006 EIP because such participant must pay current income tax obligations with respect to such shares without having the benefit of selling the shares to generate cash proceeds sufficient to pay such tax liability. In addition, consistent with the purpose of aligning management financial interests with stockholder interests, the Human Resources Committee delegated to the Chief Executive Officer the authority to make grants pursuant to an established framework for the Chief Executive Officer's implementation of the 2006 EIP for individuals other than the executive officers of the Company or the Bank. In general, the delegated authority of the Chief Executive Officer is limited to grants to an aggregate of 120,000 restricted shares and 360,000 stock options, and to a maximum per individual of 10,000 restricted shares and 25,000 stock options.

On May 14, 2013, the Human Resources Committee granted the National Commercial Leasing President 4,500 shares of restricted stock that will vest ratably over four annual installments commencing on May 20, 2013 and 10,000 performance-based stock awards that will vest over three performance periods subject to achievement of performance goals. Measurement dates for the performance goals are December 31, 2013, 2014 and 2015, with determination dates for vesting on March 31, 2014, 2015 and 2016. The 2013 performance goals achieved by Mr. Deutsch resulted in the vesting of 3,680 awards. The balance will roll into the following performance period.

The Human Resources Committee believes that the establishment of equity-based compensation programs continues to be an important tool for the retention and attraction of qualified management talent.

**Share Ownership Guidelines.** In the absence of difficult personal circumstances, the Human Resources Committee encourages the Chief Executive Officer and the other named executive officers of the Company to acquire with their own funds and hold a position in Company shares equal to 100% of the executive's three-year average annual cash compensation. At December 31, 2013, all of the Company's named executive officers met all elements of the Human Resources Committee's share ownership guidelines.

**401(k) Plan.** The Company has a tax-qualified defined contribution retirement plan covering all of its eligible employees. Employees are eligible to participate in the plan after attainment of age 21 and completion of six months of service. Effective April 1, 2007, the Board of Directors amended the match component of the plan to provide a fixed match in the amount of 50% of the first 6% of compensation deferred under the plan. The Board of Directors amended the match formula after considering the significant benefit provided to all eligible employees under the Bank's ESOP. The Company could also contribute an additional amount annually at the discretion of the Board of Directors. Contributions totaling \$345,690, excluding forfeitures, were made to the 401(k) plan for 2013. All reasonable administrative expenses incurred by the Plan were paid by the Plan.

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

Contributions to the ESOP and shares released from the suspense account in an amount proportional to the repayment of the ESOP loan are allocated among ESOP participants on the basis of compensation in the year of allocation. Benefits under the plan become fully vested upon completion of five years of credited service, with credit given to participants for years of credited service with the Bank prior to the adoption of the plan. However, employees retained through the merger of Downers Grove National Bank were credited with service beginning on the date they first became employed by the Bank. A participant's interest in his or her account under the plan also fully vests in the event of termination of service due to a participant's early or normal retirement, death, disability, or upon a change of control (as defined in the plan). Vested benefits are payable in the form of shares of common stock and/or cash. Any unvested

benefits will be forfeited upon termination of employment in accordance with the terms of the ESOP. Such forfeited amounts remain in the ESOP and are reallocated to remaining participants in accordance with the terms of the ESOP. The Bank's contributions to the ESOP are discretionary, subject to the loan terms and tax law limits. The ESOP will terminate in the event of a change of control (as defined in the plan). All reasonable administrative expenses incurred by the Plan were paid by the Plan.

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All Other Compensation and Perquisites. The Human Resources Committee reviews and monitors the level of other compensation and perquisites offered to the named executive officers in the context of current business operations and general market practices. Excluding the effects of the Bank's contributions for the health, vacation, 401(k) and ESOP benefits available to all full-time employees and the Bank's reimbursement of the after-tax premium costs for disability insurance coverages, the Human Resources Committee generally believes that other compensation and perquisites should not exceed 10% of each named executive officer's total annual cash compensation. As of December 31, 2013, the Company's compensation practices with respect to other compensation and perquisites met this standard.

Conclusions for Year Ended December 31, 2013

Executive Summary. The following is a brief summary of the compensation decisions the Human Resources Committee made with respect to the named executive officers for 2013 and 2014:

• Except for the National Commercial Leasing President, no cash incentive compensation payments or bonuses were awarded to the named executive officers for the year ended December 31, 2013.

• Except for the National Commercial Leasing President, no equity awards were granted to the named executive officers for the year ended December 31, 2013.

• No increases were made to the base salaries of the named executive officers in 2013 and 2014.

Review of Chief Executive Officer. The Human Resources Committee met outside the presence of management to review the Chief Executive Officer's performance in the context of the approved business plan, and the extent to which established strategic, financial and management objectives were realized during 2013. The Human Resources Committee also evaluated the overall state of the Company's franchise and strategic position, capabilities and direction consistent with the Chief Executive Officer's execution of his leadership and planning responsibilities. The Human Resources Committee determined that no cash incentive compensation would be paid to the Company's Chief Executive Officer for the year ended December 31, 2013, and that the base compensation of the Company's Chief Executive Officer would not be increased in 2014. Although significant progress was made in achieving key elements of the Company's Business Plan during 2013, including in the areas of loan originations, asset quality and expense reductions, the Human Resources Committee decided that it would defer consideration of any supplemental compensation to the Chief Executive Officer until the continued execution of the Business Plan results in a sustained improvement in the Company's Core Earnings Per Share. Because of this decision, the Human Resources Committee did not utilize a performance- and risk-based incentive compensation matrix to evaluate the eligibility of the Chief Executive Officer for cash incentive compensation or an increase in base compensation. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Chief Executive Officer.

The performance- and risk-based incentive compensation matrix that has historically been used to evaluate the eligibility of the Chief Executive Officer for cash incentive compensation or an increase in base compensation encompasses five separately weighted performance areas – core earnings per share (25%), internal controls (25%), asset quality (25%), marketing and business development (15%), and leadership and planning (10%). For the matrix that was originally established for the year ended December 31, 2013, there were no predetermined numerical criteria for asset quality, leadership and planning or marketing and business development. The predetermined criterion for internal controls was the absence of significant or material deficiencies. The core earnings per share target and the actual results of the year ended December 31, 2013, are set forth in the table below.

CATEGORY	2013 Performance	2013 Plan
Earnings Per Share		
Earnings Per Share	\$0.16	\$0.14
Core Earnings Per Share <sup>(1)</sup>	0.28	0.54

(1) Core Earnings per Share represents pre-tax income excluding the provision for loan and lease losses, operations of real estate owned and NPA expenses divided by the weighted average number of shares outstanding.

Review of the Chief Financial Officer. The Human Resources Committee met outside the presence of management to review the performance of the Chief Financial Officer. The Human Resources Committee determined that no cash incentive compensation would be paid to the Company's Chief Financial Officer for the year ended December 31, 2013, and that the base compensation of the Company's Chief Financial Officer would not be increased in 2014.



Although significant progress was made in achieving key elements of the Company's Business Plan during 2013, the Human Resources Committee decided that it would defer consideration of any supplemental compensation to the Chief Financial Officer until the continued execution of the Business Plan results in a sustained improvement in the Company's Core Earnings Per Share. Because of this decision, the Human Resources Committee did not utilize a performance- and risk-based incentive compensation matrix to evaluate the

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eligibility of the Chief Financial Officer for cash incentive compensation or an increase in base compensation. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Chief Financial Officer.

The performance- and risk-based incentive compensation matrix for the Chief Financial Officer has historically encompassed five separately weighted performance areas – core earnings per share (5%), internal controls (25%), asset quality-securities (30%), liquidity and interest rate risk (30%), and leadership and planning (10%), and has been used to arrive at the cash incentive compensation for which the Chief Financial Officer was eligible to receive as a percentage of base salary. For the matrix that was originally established for the year ended December 31, 2013, there were no predetermined numerical criteria for asset quality-securities, leadership and planning or liquidity and interest rate risk. The predetermined criterion for internal controls was the absence of significant or material deficiencies. The core earnings per share target and the actual results of the year ended December 31, 2013 were the same as those that were established for the Chief Executive Officer, as reflected in the above table.

Review of National Commercial Leasing President. The Human Resources Committee met outside the presence of management to review the performance of the National Commercial Leasing President. The Human Resources Committee noted that the Chief Executive Officer had assessed the performance of the National Commercial Leasing President and the applicable non-equity incentive and bonus compensation based on the results of the 2013 National Commercial Leasing President Incentive Compensation Plan. The National Commercial Leasing President Incentive Compensation Plan rewards successes in growing the leasing portfolio beyond the 2013 business plan projections. The National Commercial Leasing President, with concurrence of the Chief Executive Officer, projected the expected volume based on numerous items including the prior year's volume funded and average outstanding, current economic and projected market conditions, lease and loan repayments and other factors.

Because the members of the Board of Directors have had interaction with the Company's National Commercial Leasing President throughout the year, the Human Resources Committee determined that it had a strong basis to make an evaluation of the National Commercial Leasing President independent of the Chief Executive Officer's conclusions and recommendations. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resources Committee with respect to the National Commercial Leasing President.

Component	2013 Performance Thresholds <sup>(1)</sup>	2013 Percentage Results <sup>(2)</sup>	2013 Percentage Awarded	2013 Maximum Percentage <sup>(3)</sup>
New Lease Loans Funded	\$70 million	93.3%	0.25%	<sup>(4)</sup> 0.25%
Average Outstanding Lines of Credit Funded	\$4 million	—%	0.30%	<sup>(4)</sup> 0.30%
Leadership, Planning & Controls	—	Met	—%	<sup>(5)</sup> 5.00%

(1) Represents 2013 business plan funding thresholds.

(2) Represents the percentage by which actual fundings exceeded funding thresholds.

(3) Represents the maximum percentage available as incentive compensation.

(4) Represents the percentage of excess volume awarded as incentive compensation.

(5) Represents the percentage of base salary earned and paid as cash incentive compensation.

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

Review of Executive Vice President - General Counsel. The Human Resources Committee met outside the presence of management to review the performance of the Executive Vice President - General Counsel. The Human Resources Committee determined that no bonus would be paid to the Company's Executive Vice President - General Counsel for the year ended December 31, 2013, and that the base compensation of the Company's Executive Vice President - General Counsel would not be increased in 2014. Although significant progress was made in achieving key elements of the Company's Business Plan during 2013, the Human Resources Committee decided that it would defer consideration of any supplemental compensation to the Executive Vice President - General Counsel until the

continued execution of the Business Plan results in a sustained improvement in the Company's Core Earnings Per Share. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Executive Vice President - General Counsel.

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Review of Executive Vice President - Marketing and Sales. The Human Resources Committee met outside the presence of management to review the performance of the Executive Vice President - Marketing and Sales. The Human Resources Committee determined that no bonus would be paid to the Company's Executive Vice President - Marketing and Sales for the year ended December 31, 2013, and that the base compensation of the Company's Executive Vice President - Marketing and Sales would not be increased in 2014. Although significant progress was made in achieving key elements of the Company's Business Plan during 2013, the Human Resources Committee decided that it would defer consideration of any supplemental compensation to the Executive Vice President - Marketing and Sales until the continued execution of the Business Plan results in a sustained improvement in the Company's Core Earnings Per Share. The Board of Directors, with Mr. Gasior not participating, ratified the actions of the Human Resource Committee with respect to the Executive Vice President - Marketing and Sales.

### Reasonableness of Compensation

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

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

### Tax and Accounting Treatment

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code limits the tax deduction to \$1 million for compensation paid to certain executive officers of public companies. The limitations on the deductibility of executive compensation imposed under Section 162(m) did not affect the Company during 2013 because the compensation paid to the Company's executive officers in 2013 did not exceed these limitations. The 2006 EIP provides the Human Resources Committee with flexibility to address issues that may arise under Section 162(m), and contains provisions that could be utilized to reduce its potential adverse effects.

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

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

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



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## HUMAN RESOURCES COMMITTEE REPORT

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in BankFinancial Corporation's Annual Report on Form 10-K for the year ended December 31, 2013.

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

Joseph A. Schudt, Chairman

Cassandra J. Francis

John M. Hausmann

Thomas F. O'Neill

Terry R. Wells

Glen R. Wherfel

## EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation of the Company's Chief Executive Officer, Chief Financial Officer and the Company's other three most highly compensated executive officers who served in such capacities during 2013:

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive Plan Compensation	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	All Other Compensation <sup>(3)</sup>	Total Compensation
F. Morgan Gasior Chairman of the Board, Chief Executive Officer and President	2013	\$405,804	\$—	\$ —	\$—	\$—	\$45,046	\$ 450,850
	2012	405,804	—	—	—	—	40,755	446,559
	2011	405,804	—	—	—	—	39,877	445,681
Paul A. Cloutier Executive Vice President and Chief Financial Officer	2013	\$271,998	\$—	\$ —	\$—	\$—	\$44,778	\$ 316,776
	2012	271,998	—	—	—	—	40,074	312,072
	2011	269,009	—	—	—	—	34,878	303,887
William J. Deutsch, Jr. National Commercial Leasing President <sup>(2)</sup>	2013	\$205,000	\$—	\$ 102,500	\$118,030	\$—	\$25,305	\$ 450,835
	2012	203,654	6,150	54,247	—	—	20,649	284,700
James J. Brennan Executive Vice President, Corporate Secretary and General Counsel	2013	\$325,468	\$—	\$ —	\$—	\$—	\$45,716	\$ 371,184
	2012	325,468	—	—	—	—	37,564	363,032
	2011	321,891	—	—	—	—	30,171	352,062
Gregg T. Adams Executive Vice President, Marketing and Sales	2013	\$230,625	\$—	\$ —	\$—	\$—	\$30,133	\$ 260,758
	2012	229,111	—	—	—	—	26,847	255,958
	2011	225,000	—	—	—	—	25,630	250,630

(1) The amount set forth in the "Stock Awards" column reflects the aggregate grant date fair value of stock awards for the year ended December 31, 2013 in accordance with ASC Topic 718. On September 2, 2011, the Board extended the expiration date of certain outstanding stock options held by the named executive officers to September 5, 2012. The incremental fair value of the stock option extension was calculated in accordance with ASC Topic 718 and

deemed immaterial. The assumptions used in calculating these amounts are set forth in Note 13 to our Financial Statements for the year ended December 31, 2011, which is located on pages 115 through 117 of our 2011 Annual Report on Form 10-K.

(2) Mr. Deutsch was not a named executive officer in 2011.

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(3) All other compensation for the named executive officers during fiscal 2013 is summarized below:

Name	Perquisites <sup>(i)</sup>	Insurance <sup>(ii)</sup>	Tax Reimbursement <sup>(iii)</sup>	401(k) Match	ESOP Contribution <sup>(iv)</sup>	Total "All Other Compensation"
F. Morgan Gasior	\$19,200	\$1,810	\$ 1,179	\$6,375	\$16,482	\$45,046
Paul A. Cloutier	\$18,585	\$1,248	\$ 813	\$7,650	\$16,482	\$44,778
William J. Deutsch, Jr.	\$6,000	\$966	\$ 629	\$1,221	\$16,489	\$25,305
James J. Brennan	\$19,153	\$1,472	\$ 959	\$7,650	\$16,482	\$45,716
Gregg T. Adams	\$6,600	\$1,074	\$ 700	\$6,317	\$15,442	\$30,133

(i) Includes use of an automobile or an automobile allowance, and in the case of Messrs. Gasior, Cloutier and Brennan, club dues.

Consists of premiums paid by the Company during the fiscal year with respect to additional short- and long-term disability insurance for each named executive officer. Certain amounts were paid by the executive and reimbursed

(ii) by the Company under employment agreement provisions that reduce, on a dollar-for-dollar basis, the Bank's obligations under such executive's employment agreement in the event of the executive's death or disability by the amount of insurance proceeds received by the executive's named beneficiary.

(iii) Reflects reimbursement for income and employment taxes incurred by the executive as a result of the insurance premiums paid by the executive and reimbursed by the Company. See note (ii) above and discussion below for additional information.

(iv) Includes the Bank's contribution to the executive's ESOP account plus any amounts reallocated as a result of forfeitures by terminated ESOP participants.

## Plan-Based Awards

The following table sets forth for the year ended December 31, 2013 certain information as to grants of plan-based awards for the named executive officers under the terms of the Executive Incentive Compensation Plan. For the year ended December 31, 2013, payments were paid in March 2014 in the amounts listed in the "Summary Compensation Table."

Name	Grant Date	Estimated Future/Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock	Grant Date Fair Value of Stock Awards
		Threshold	Target	Maximum	Threshold	Target	Maximum		
F. Morgan Gasior	(1)								
Paul A. Cloutier	(1)								
William J. Deutsch, Jr.	(2)	\$—	\$102,500	\$102,500					
	5/14/2013				—	10,000	—	\$81,400	
	5/14/2013						4,500	\$36,630	
James J. Brennan	(1)								
Gregg T. Adams	(1)								

(1) Messrs. Gasior, Cloutier, Brennan, and Adams did not participate in any incentive plans during fiscal 2013.

Mr. Deutsch is eligible to receive an incentive cash bonus under the National Commercial Leasing Incentive Sales Compensation Plan. Under the plan, a target amount is not determinable. Therefore, the target amount provided for (2) Mr. Deutsch is a representative amount that would be earned under the 2013 plan if fiscal 2012 performance were achieved with no discretionary adjustment.





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## Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning the unvested shares of restricted stock at December 31, 2013 held by the individuals named in the summary compensation table:

Name	# of Shares or Units of Stock That Have Not Vested <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Equity Incentive Plan Awards: # of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(3)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$) <sup>(2)</sup>
F. Morgan Gasior	—	\$—	—	\$—
Paul A. Cloutier	—	\$—	—	\$—
William J. Deutsch, Jr.	3,375	\$ 30,915	10,000	\$91,600
James J. Brennan	—	\$—	—	\$—
Gregg T. Adams	—	\$—	—	\$—

(1) The table below shows the vesting schedule for all unvested restricted shares granted on May 14, 2013.

Name	5/20/2014	5/20/2015	5/20/2016
William J. Deutsch, Jr.	1,125	1,125	1,125

(2) The market value of shares is based on a closing stock price of \$9.16 on December 31, 2013.

(3) The table below shows the vesting schedule for performance-based equity awards if predefined annual performance goals are achieved. Equity awards vest on the determination date if earned based on performance during the prior fiscal year. Equity awards not earned on the scheduled determination date are eligible to be earned at the next determination date. Equity awards not earned as of the final determination date are forfeited.

Name	3/31/2014	3/31/2015	3/31/2016
William J. Deutsch, Jr.	4,000	4,000	2,000

## Option Exercises and Stock Vested During 2013

The following table reflects shares of restricted stock awards held by the named executive officers during 2013.

Name	Option Awards		Stock Awards	
	# of Shares Acquired on Exercise	Value Realized Upon Exercise (\$)	# of Shares Acquired on Vesting	Value Realized on Vesting (\$) <sup>(1)</sup>
F. Morgan Gasior	—	\$—	—	\$—
Paul A. Cloutier	—	\$—	—	\$—
William J. Deutsch, Jr.	—	\$—	1,125	\$9,383
James J. Brennan	—	\$—	—	\$—
Gregg T. Adams	—	\$—	—	\$—

(1) Reflects amounts realized on May 20, 2013 at a closing stock price of \$8.34.

## Potential Payments upon Termination or Change of Control

The following table sets forth information concerning potential payments and benefits under the Company's compensation programs and benefit plans to which the named executive officers would be entitled upon a termination of employment as of December 31, 2013. As is more fully described below, the named executive officers entered into employment agreements with the Company and/or the Bank, as applicable (each, an "Employment Agreement"), which provide for payments and benefits to a terminating executive officer following a termination other than for "cause" or by resignation. Except for the payments and benefits provided by the Employment Agreements, all other payments and benefits provided to any named executive officer upon termination of his employment are the same as the payments and benefits provided to other eligible executives of the Bank.



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Executive	Potential Payments Upon Termination or Change of Control	Termination by the Bank			Other Types of Termination			Change of Control <sup>(3)</sup>
		For Cause	For Disability <sup>(1)</sup>	Without Cause <sup>(2)</sup>	By Resignation	For Good Reason <sup>(2)</sup>	Upon Death <sup>(1)</sup>	
F. Morgan Gasior	Cash payments	\$—	\$ 919,434	\$1,223,787	\$—	\$1,223,787	\$919,434	\$1,223,787
	Accelerated Equity Awards	—	—	—	—	—	—	—
	Continued Benefits	—	14,967	19,956	—	19,956	14,967	19,956
Paul A. Cloutier	Cash payments	\$—	\$ 619,645	\$820,655	\$—	\$820,655	\$619,645	\$820,655
	Accelerated Equity Awards	—	—	—	—	—	—	—
	Continued Benefits	—	24,904	33,206	—	33,206	24,904	33,206
William J. Deutsch, Jr.	Cash payments	\$—	\$ 564,971	\$564,971	\$—	\$564,971	\$564,971	\$564,971
	Accelerated Equity Awards	—	122,515	122,515	—	122,515	122,515	122,515
	Continued Benefits	—	11,436	11,436	—	11,436	11,436	11,436
James J. Brennan	Cash payments	\$—	\$ 739,953	\$980,477	\$—	\$980,477	\$739,953	\$980,477
	Accelerated Equity Awards	—	—	—	—	—	—	—
	Continued Benefits	—	14,967	19,956	—	19,956	14,967	19,956
Gregg T. Adams	Cash payments	\$—	\$ 294,599	\$294,599	\$—	\$294,599	\$294,599	\$294,599
	Accelerated Equity Awards	—	—	—	—	—	—	—
	Continued Benefits	—	8,315	8,315	—	8,315	8,315	8,315

For each named executive officer, except Messrs. Deutsch and Adams, cash payments include an amount equal to the average cash incentive compensation paid during the preceding two years prorated for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary the executive would have received from the date of termination through the end of his employment period. The cash payments for Messrs. Deutsch and Adams include a prorated annual cash incentive compensation for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary the executive would have received from the date of termination through the end of the executive's employment period. The intrinsic value of accelerated equity awards for Mr. Deutsch is based on the closing stock price on December 31, 2013 of \$9.16. None of the other named executive officers had outstanding equity awards on December 31, 2013. Continued benefits reflect the incremental cost of core benefits to the Company during the executive's remaining employment period based on actual cost for 2013. Excludes any reduction in benefit as a result of disability insurance or federal social security disability payments.

(2) For each named executive officer, except Messrs. Deutsch and Adams, cash payments include an amount equal to the average cash incentive compensation paid during the preceding two years prorated for the year of termination,

prorated employer matching 401(k) contribution, and three times the executive's three-year average cash compensation. The cash payments for Messrs. Deutsch and Adams include a prorated annual cash incentive compensation for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary the executive would have received from the date of termination through the end of the executive's employment period. The intrinsic value of accelerated equity awards for Mr. Deutsch is based on the closing stock price on December 31, 2013 of \$9.16. None of the other named executive officers had outstanding equity awards on December 31, 2013. Continued benefits reflect the incremental cost of core benefits to the Company for 36 months based on the actual cost for 2013, except for Messrs. Deutsch and Adams, whose continued benefits reflect the incremental cost of core benefits to the Company during the executive's remaining employment period.

The payments reflected in this column assume the executive terminated for good reason in connection with a change of control. For each named executive officer, except Messrs. Deutsch and Adams, cash payments include an amount equal to the average cash incentive compensation paid during the preceding two years prorated for the year of termination, prorated employer matching 401(k) contribution, and three times the executive's three-year average cash compensation. The cash payments for Messrs. Deutsch and Adams include a prorated annual cash incentive compensation for the year of termination, prorated employer matching 401(k) contribution for the year of termination, and the base salary the executive would have received from the date of termination through the end of (3) the executive's employment period. The intrinsic value of accelerated equity awards for Mr. Deutsch is based on the closing stock price on December 31, 2013 of \$9.16. None of the other named executive officers had outstanding equity awards on December 31, 2013. Continued benefits reflect the incremental cost of core benefits to the Company for 36 months based on the actual cost for 2013, except for Messrs. Deutsch and Adams, whose continued benefits reflect the incremental cost of core benefits to the Company during the executive's remaining employment period. If applicable, executive severance benefits are reduced to avoid constituting an "excess parachute payment" under Section 280G of the Internal Revenue Code. No reduction in benefits was required as of the assumed December 31, 2013 termination date.

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

• Accrued but unpaid salary and vacation pay.

• Distributions of plan balances under the Bank's 401(k) plan and its ESOP. See "401(k) Plan" and "Employee Stock Ownership Plan and Trust" on page 19 for an overview of the 401(k) and the ESOP.

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Employment Agreements. The employment agreements with Messrs. Gasior, Cloutier, Deutsch, Brennan and Adams were amended and restated in May 2008 and amended in December 2012, principally to ensure compliance with Section 409A of the Internal Revenue Code. In May 2013, the Bank entered into an amended and restated employment agreement with Mr. Deutsch, which was substantially similar to his prior agreement with the exception of a change in term from 24 months to 36 months and a limit on perquisites and post-employment health insurance. Each employment agreement had an initial term of 36 months (other than Mr. Adams' employment agreement, which had an initial term of 24 months) that can be extended each year for an additional year, at the discretion of the Board of Directors.

Under the employment agreements, the Bank will pay the executive officers the base salary as reflected in the Bank's payroll records, subject to discretionary increases by the Board of Directors. The 2013 base salaries for Messrs. Gasior, Cloutier, Deutsch, Brennan and Adams were \$405,804, \$271,998, \$205,000, \$325,468 and \$230,625, respectively. The employment agreements provide that the base salary may be increased but not decreased. The employment agreements also provide that the executive officer will receive the use of an automobile or an automobile allowance and the payment of designated club dues, provided that, in a given year, these payments may not, in the aggregate, exceed ten percent of the executive officer's cash compensation. The employment agreements further provide that the executive officer is entitled to participate with other executive officers in non-equity short-term incentive compensation and discretionary non-equity bonuses declared by the Board. In addition to base salary and bonus, the employment agreements provide for, among other things, participation in a Section 125 cafeteria plan, group medical, dental, vision, disability and life insurance plans, referred to as the core plans, 401(k) plan, the ESOP and other employee and fringe benefits applicable to executive personnel.

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

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

In the event the executive officer's employment is terminated due to death, his surviving spouse and minor children, if any, will be entitled to the same coverage under the core plans that the executive officer would have been provided if his employment had terminated due to disability. In addition, the executive officer's estate or trust, as applicable, will be entitled to the base salary the executive officer would have been paid through the date the employment period

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

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In the event the executive officer's employment is terminated without cause by the Bank, the executive officer will receive his earned salary, prorated incentive compensation, accrued plan contribution, continued coverage under the core plans for 36 months, except for Messrs. Deutsch and Adams, whose continued coverage would be during the remaining employment period, subject to the executive officer's payment of costs and contributions for which he is responsible, the ability to continue health care coverage thereafter at his sole expense and an amount equal to three times his average annual compensation, with the exception of Messrs. Deutsch and Adams who would be paid his base salary from the effective date of termination through the date the employment period would have expired. Payment of benefits would be made in a single lump sum, except for Messrs. Deutsch and Adams, for whom the payment would be made in equal installments except for payments upon death and payments that exceed certain "safe harbor" provisions of the Internal Revenue Code.

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

The executive officer is required under the employment agreement to execute a general release in consideration for any severance amounts. The executive officer also agrees not to compete with the Bank or its affiliates for six months after termination or during the period that severance amounts are paid, if longer. In addition, the executive officer agrees not to solicit the Bank's customers, their business or the Bank's employees for eighteen months, which may be reduced in certain circumstances. Payment of amounts due the executive officers under the employment agreements will generally be made in a single lump sum, or in the case of Messrs. Deutsch and Adams, in equal installments as described above.

The Board of Directors of the Bank last reviewed the Bank's employment agreements with Messrs. Gasior, Cloutier, Brennan, Deutsch and Adams in 2013 and approved the extension of their terms to March 31, 2016 in the case of Messrs. Gasior, Cloutier, Brennan and Deutsch and to March 31, 2015 in the case of Mr. Adams. The reviews are conducted annually and the next review will occur in 2014.

In October 2008, the Company entered into employment agreements with Messrs. Gasior, Cloutier and Brennan. The employment agreements have three-year terms and, except as discussed below, are otherwise substantially similar to the respective employment agreements that these individuals have with the Bank. The Board of Directors of the Company last reviewed the Company's employment agreements with Messrs. Gasior, Cloutier and Brennan in 2013 and approved the extension of their terms through March 31, 2016. The reviews are conducted annually and the next review will occur in 2014.

The Company does not separately compensate Messrs. Gasior, Cloutier or Brennan for their services to the Company, except for awards made by the Company under the 2006 EIP. Instead, the Bank pays and provides their cash compensation and benefits (other than benefits under the 2006 EIP), and allocates a portion of this expense to the Company pursuant to an intercompany expense sharing arrangement in proportion to the time and services that they



provide to the Company. The employment agreements between the Company and Messrs. Gasior, Cloutier and Brennan thus provide that any cash compensation and benefits that become simultaneously due under both their employment agreements with the Company and their employment agreements with the Bank will be subtracted from those due Messrs. Gasior, Cloutier and Brennan under their respective employment agreements with the Company. The payments and benefits (other than benefits under the 2006 EIP) that each of Messrs. Gasior, Cloutier and Brennan will receive under his employment agreement with the Company if his employment is terminated without cause, for Good Reason or due to death or disability are the same as those provided for in their respective employment agreements with the Bank.

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

Compensation of Directors

**Directors' Fees.** All directors of the Company, other than Mr. O'Neill, are also directors of the Bank. Except for Mr. Gasior, who receives no fees for serving as a director, committee chairperson or committee member, the directors of the Bank received an annual Board fee of \$2,000 per month for preparing for and attending meetings of the Board of Directors of the Bank during 2013. Except for the Audit Committee, the Bank did not pay its directors a separate fee during 2013 for serving on board committees. The members of the Audit Committee were paid an Audit Committee fee during 2013 because the Audit Committee is a required entity with separate responsibilities established by applicable laws and regulations. During 2013, the Bank paid an Audit Committee fee of \$1,000 per quarter to Mr. Hausmann (the Chairman of the Audit Committee), and \$800 per quarter to Messrs. Wells and Wherfel (members of the Audit Committee).

The Company did not separately compensate the members of its Board of Directors other than Mr. O'Neill during 2013 for preparing for and attending meetings of the Board of Directors of the Company. A portion of the Board fees that the Bank paid to its directors, however, was allocated to the Company in the intercompany expense allocations that were made between the Company and the Bank during 2013. Mr. O'Neill was elected to serve as a director of the Company at the 2012 Annual Meeting of Stockholders, and he is not a director of the Bank. The Company paid Mr. O'Neill a Board fee of \$1,000 per month and also reimbursed him for his travel expenses for attending meetings of the Board of Directors. The Company did not compensate the other members of the Audit Committee due to the Audit Committee fee that they received from the Bank.

The Board of Directors fees and the Audit Committee fees for 2013 were unchanged from 2012. The Board fees for 2013 and Audit Committee fees for 2013 have been taken into account in the intercompany expense allocations between the Company and the Bank.

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

The Board of Directors also established share ownership guidelines for directors applicable both to personally-acquired shares and shares acquired through the 2006 EIP. In general, absent difficult personal financial circumstances, the Board of Directors encourages each director in office at least one year to hold a position in Company shares equal to at least 50% of a director's annual director's fees. At December 31, 2013, all eligible directors

and all directors as a group exceeded this ownership position with the exception of Mr. O'Neill. In addition, the Human Resources Committee encourages directors to retain all shares granted under the 2006 EIP. At December 31, 2013, the Company's directors retained 100% of their vested 2006 EIP restricted shares.

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The table below provides information on 2013 compensation for directors who served in 2013.

Name	Fees Earned or Paid in Cash (\$)	Total (\$)
Cassandra J. Francis	\$24,000	\$24,000
John M. Hausmann, C.P.A.	\$28,000	\$28,000
Thomas F. O'Neill	\$12,000	\$12,000
Joseph A. Schudt <sup>(1)</sup>	\$24,000	\$24,000
Terry R. Wells	\$27,200	\$27,200
Glen R. Wherfel, C.P.A.	\$27,200	\$27,200

<sup>(1)</sup> Mr. Schudt is retiring from the Board of Directors effective on the date of the 2014 Annual Meeting of Stockholders.

#### Outstanding Non-Employee Director Equity Awards at Fiscal Year-End

All stock options expired in September and December 2012. No option awards or stock awards were outstanding as of December 31, 2013.

#### Attendance at Annual Meetings of Stockholders

Although the Company does not have a formal written policy regarding director attendance at annual meetings of stockholders, directors are requested to attend these meetings absent unavoidable scheduling conflicts. All of the Company's current directors attended the 2013 Annual Meeting of Stockholders.

#### ADVISORY VOTE

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

At our 2011 Annual Meeting, we provided stockholders with the opportunity to vote on an advisory (non-binding) basis as to the frequency that stockholders would vote on a "say-on-pay" proposal, which gives stockholders the opportunity to endorse or not endorse, on an advisory, non-binding basis, the compensation paid to our Named Executive Officers. In light of the advisory vote of stockholders at our 2011 Annual Meeting, we determined to hold the "say-on-pay" advisory vote on an annual basis until the next frequency vote, which will occur no later than our 2017 Annual Meeting. Accordingly, stockholders have the opportunity to vote on an advisory (non-binding) resolution at the Annual Meeting to approve the compensation of our "Named Executive Officers," as described in this Proxy Statement under "Compensation Discussion and Analysis" and the compensation tables and narrative disclosure. We are asking you to indicate your support for the compensation of our Named Executive Officers as described in this Proxy Statement. This vote is not intended to address any specific item of executive compensation, but rather the overall compensation of our Named Executive Officers and the compensation policies and practices described in this Proxy Statement.

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

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

The Board of Directors believes that the Company's compensation policies and procedures appropriately encourage a culture of pay for performance, serve to attract and retain experienced, highly qualified executives who are critical to the Company's long term success, and align the compensation of the Named Executive Officers with the long term interests of the Company and its stockholders. Consistent with these objectives, and as discussed more fully in the "Compensation Discussion and Analysis" section of this Proxy Statement.



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• Except for the National Commercial Leasing President, no cash incentive compensation payments or bonuses were awarded to the named executive officers for the year ended December 31, 2013.

• Except for the National Commercial Leasing President, no equity awards were granted to the named executive officers for the year ended December 31, 2013.

• No named executive officers received a base salary increase in 2013 or 2014. .

The approval of this resolution requires the affirmative vote of a majority of the votes cast at the Annual Meeting, without regard to either broker non-votes or shares as to which the “ABSTAIN” box has been selected on the proxy card. At our 2013 Annual Meeting of Stockholders, over 93% of the advisory votes cast were for the approval of the compensation paid to the Company’s Named Executive Officers.

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

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

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

### COMMUNICATIONS WITH THE BOARD OF DIRECTORS

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

### TRANSACTIONS WITH CERTAIN RELATED PERSONS

Neither the Bank nor the Company had any outstanding extensions of credit as of December 31, 2013 to any executive officer or directors or to a related interest of a director or executive officer other than Ms. Francis. The Bank made certain secured real estate loans to Ms. Francis and her spouse prior to Ms. Francis’ appointment as a director in 2006, and these loans were considered to be grandfathered from the Bank’s practice of not making loans to directors or executive officers. This extension of credit was made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with persons not related to the Bank, does not involve more than normal risk of collectability or present other unfavorable features, and is not past due or classified as non-accrual, restructured or a potential problem loan. The Bank’s Professional Responsibility Policy provides that no director or executive officer (as defined by the Bank’s Board of Directors) may provide goods or services to the Bank or an affiliate (which includes the Company) unless approved by the disinterested majority of the Board of Directors after full disclosure and it is determined that the arrangement is fair and appropriate. In addition, all transactions between the Bank or its affiliates and a director or executive officer must be conducted on an arm’s length basis, comply with all applicable laws and regulations and be on terms that are no more favorable to the director or executive officer than those afforded to similarly situated customers and vendors.

### STOCKHOLDER PROPOSALS

In order to be eligible for inclusion in the proxy materials for next year’s annual meeting of stockholders, any stockholder proposal to take action at such meeting must be received at BankFinancial Corporation’s executive office, 15W060 North Frontage Road, Burr Ridge, Illinois 60527, no later than 5:00 P.M., Chicago, Illinois Time, on December 31, 2014. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934, as amended, and the Company’s bylaws.



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ADVANCE NOTICE OF BUSINESS TO BE CONDUCTED AT AN ANNUAL MEETING

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

As to each individual whom the stockholder proposes to nominate for election or re-election as a director, the name, age, business address and residence address of such individual; the class, series and number of any shares of stock of BankFinancial Corporation that are beneficially owned by such individual;

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

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

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

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

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

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

Advance written notice for certain business, or nominations to the Board of Directors, to be brought before the next annual meeting of stockholders must be given to the Company no earlier than December 1, 2014 and no later than 5:00 P.M., Chicago, Illinois Time, on December 31, 2014. If notice is received before December 1, 2014 or after 5:00 P.M., Chicago, Illinois Time, on December 31, 2014, it will not be considered timely, and the Company will not be required to present the matter at the next annual meeting of stockholders.



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OTHER MATTERS

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

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2013 WILL BE FURNISHED WITHOUT CHARGE TO STOCKHOLDERS AS OF THE RECORD DATE UPON WRITTEN REQUEST TO BANKFINANCIAL CORPORATION, 15W060 NORTH FRONTAGE ROAD, BURR RIDGE, ILLINOIS 60527, ATTN: JAMES J. BRENNAN, SECRETARY.

BY ORDER OF THE BOARD OF DIRECTORS

James J. Brennan

Secretary

Burr Ridge, Illinois

April 30, 2014

## APPENDIX A

### BANKFINANCIAL CORPORATION

#### AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

#### COMMITTEE CHARTER

(As amended by the Board of Directors on April 29, 2014)

#### I. PURPOSE OF THE AUDIT COMMITTEE

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

The Committee shall assist the Board in its oversight of:

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

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

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

• The Company's compliance with legal and regulatory requirements;

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

• The performance of the Company's internal audit function;

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

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

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

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

#### II. MEMBERSHIP

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

The Committee must consist of at least three directors. The responsibilities of a member of the Committee are in addition to responsibilities as a member of the Board and, accordingly, members receive additional compensation for Committee service.

The Company may assist the Committee in maintaining the appropriate financial literacy, and is responsible for providing the Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company, and other matters as may be requested. The Company may also provide new members with educational opportunities and appropriate orientation briefings.

### III. FREQUENCY OF MEETINGS

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

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

### IV. AUTHORITY

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

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

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

### V. SCOPE OF COMMITTEE RESPONSIBILITIES

The scope of Committee responsibilities is as follows:

#### A. Financial Reporting Processes

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

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

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

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

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

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

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

#### B. Conduct of Internal Auditing

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

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



Review the appointment, replacement, reassignment or dismissal of the Internal Auditor, the sufficiency of resources dedicated to the internal audit function and the independence of the Internal Auditor and internal audit function;  
Review internal audit reports and management's responses thereto;  
Receive written representation from the Internal Auditor that there were no significant difficulties encountered during the course of internal audits, including any restrictions on the scope of their work or access to required information;  
Review the Internal Audit Division's compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

#### C. Conduct of Independent Auditing

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

Subject to the prohibitions in Exhibit A, approve all audit and non-audit services to be performed by the independent auditors prior to the performance of that work (including all fees and expenses), either directly by the Audit Committee or in accordance with any pre-approval policy that may be adopted by the Audit Committee, provided that pre-approval shall not be required for any services that are exempt as de minimus under federal regulations or applicable listing requirements;

Review the qualifications and experience of senior members of the independent audit team and the independent auditor's performance and fees;

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

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

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

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

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

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

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

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

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

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

#### E. Public Filings & Reports

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

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

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

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

#### VI. CONCLUSION

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

#### EXHIBIT A - PROHIBITED NON-AUDIT SERVICES

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

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

• Financial information systems design and implementation;

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

• Actuarial services;

• Internal audit outsourcing services;

• Management functions or human resources;

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

• Legal services and expert services unrelated to the audit;

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

## APPENDIX B

### BANKFINANCIAL CORPORATION

### HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS

### COMMITTEE CHARTER

(As amended by the Board of Directors on August 28, 2013)

#### I. PURPOSE OF THE COMMITTEE

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

#### II. MEMBERSHIP

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

#### III. FREQUENCY OF MEETINGS

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

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

#### IV. AUTHORITY

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

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

The Committee may request reports from the Chief Executive Officer, Chief Financial Officer, General Counsel and Executive Vice President - Human Resources.

In its sole discretion, the Committee may retain, obtain the advice of or terminate any compensation consultant, legal counsel or other adviser used to assist the Committee in fulfilling its responsibilities. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any such consultant, legal counsel or other adviser retained by the compensation committee. The Company shall provide adequate resources to support the Committee's activities, including appropriate funding, as determined by the Committee, in its capacity as a committee of the Board of Directors, for payment of reasonable compensation to a compensation consultant, legal counsel or other adviser.

Prior to the selection of, or receiving advice from, a compensation consultant, legal counsel or other adviser, the Committee must consider the following factors, as well as any other factors identified by the stock exchange on which the Company's shares are listed:

- The provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;





The amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;

Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;

Any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and

Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

#### V. SCOPE OF COMMITTEE RESPONSIBILITIES

The scope of Human Resources Committee responsibilities is as follows:

##### A. Executive Compensation

Review and approve base compensation, cash incentive compensation, equity incentive compensation, non-standard employment benefits / perquisites, and employment or severance agreements for the Chief Executive Officer and principal executive officers. The Chief Executive Officer may not be present during voting or deliberations on his or her compensation.

##### B. Management Sufficiency

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

##### C. Reporting

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

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

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

#### VI. CONCLUSION

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



