

BankFinancial CORP
Form 10-Q
August 01, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended June 30, 2012

or

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

For transition period from to

Commission File Number 0-51331

BANKFINANCIAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

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Maryland
(State or Other Jurisdiction)

75-3199276
(I.R.S. Employer

of Incorporation)

Identification No.)

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

60527
(Zip Code)

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

Not Applicable

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

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

21,072,966 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of July 31, 2012.

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BANKFINANCIAL CORPORATION

Form 10-Q Quarterly Report

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Table of Contents**PART I****BANKFINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(Dollars in thousands, except per share data) (Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Cash and due from other financial institutions	\$ 17,679	\$ 24,247
Interest-bearing deposits in other financial institutions	203,028	96,457
Cash and cash equivalents	220,707	120,704
Securities, at fair value	75,040	92,832
Loans held-for-sale	505	1,918
Loans receivable, net of allowance for loan losses: June 30, 2012, \$30,878 and December 31, 2011, \$31,726	1,118,928	1,227,391
Other real estate owned	17,251	22,480
Stock in Federal Home Loan Bank, at cost	10,160	16,346
Premises and equipment, net	38,934	39,155
Accrued interest receivable	4,527	5,573
Core deposit intangible	3,351	3,671
Bank owned life insurance	21,453	21,207
FDIC prepaid expense	3,738	4,351
Income tax receivable	694	1,809
Other assets	6,906	6,138
Total assets	\$ 1,522,194	\$ 1,563,575
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	\$ 140,801	\$ 142,084
Interest-bearing	1,148,666	1,190,468
Total deposits	1,289,467	1,332,552
Borrowings	10,081	9,322
Advance payments by borrowers taxes and insurance	10,798	10,976
Accrued interest payable and other liabilities	8,905	10,868
Total liabilities	1,319,251	1,363,718
Commitments and contingent liabilities		
Stockholders equity:		
Preferred Stock, \$0.01 par value, 25,000,000 shares authorized, none issued or outstanding		

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Common Stock, \$0.01 par value, 100,000,000 shares authorized; 21,072,966 shares issued at June 30, 2012 and December 31, 2011

	211	211
Additional paid-in capital	193,723	193,801
Retained earnings	20,659	17,946
Unearned Employee Stock Ownership Plan shares	(12,725)	(13,212)
Accumulated other comprehensive income	1,075	1,111
Total stockholders' equity	202,943	199,857
Total liabilities and stockholders' equity	\$ 1,522,194	\$ 1,563,575

See accompanying notes to consolidated financial statements.

Table of Contents**BANKFINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except per share data) (Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Interest and dividend income				
Loans, including fees	\$ 15,312	\$ 18,155	\$ 31,424	\$ 32,565
Securities	387	768	829	1,590
Other	125	77	205	193
Total interest income	15,824	19,000	32,458	34,348
Interest expense				
Deposits	1,084	1,849	2,298	3,749
Borrowings	28	61	54	157
Total interest expense	1,112	1,910	2,352	3,906
Net interest income	14,712	17,090	30,106	30,442
Provision for loan losses	1,745	3,175	2,741	5,599
Net interest income after provision for loan losses	12,967	13,915	27,365	24,843
Noninterest income				
Deposit service charges and fees	521	691	1,078	1,303
Other fee income	383	413	768	795
Insurance commissions and annuities income	112	155	234	324
Gain on sale of loans, net	118	39	385	58
Loss on disposition of premises and equipment, net	(157)	(10)	(157)	(20)
Loan servicing fees	119	137	247	269
Amortization and impairment of servicing assets	(98)	(51)	(180)	(105)
Earnings on bank owned life insurance	120	162	246	320
Trust	190	216	374	292
Other	110	127	255	214
Total noninterest income	1,418	1,879	3,250	3,450
Noninterest expense				
Compensation and benefits	6,461	7,120	13,120	13,720
Office occupancy and equipment	1,755	1,736	3,498	3,604
Advertising and public relations	217	260	311	497
Information technology	1,146	1,091	2,407	2,039
Supplies, telephone, and postage	408	439	838	814
Amortization of intangibles	157	470	320	852
Nonperforming asset management	1,117	1,279	2,357	1,734

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Operations of other real estate owned	1,691	855	2,243	1,308
FDIC insurance premiums	309	186	657	753
Acquisition costs		230		1,761
Other	783	957	1,729	1,796
Total noninterest expense	14,044	14,623	27,480	28,878
Income (loss) before income taxes	341	1,171	3,135	(585)
Income tax expense (benefit)	(457)	145		(834)
Net Income	\$ 798	\$ 1,026	\$ 3,135	\$ 249
Basic income per common share	\$ 0.04	\$ 0.05	\$ 0.16	\$ 0.01
Diluted income per common share	\$ 0.04	\$ 0.05	\$ 0.16	\$ 0.01
Weighted average common shares outstanding	19,860,419	19,713,952	19,847,846	19,701,904
Diluted weighted average common shares outstanding	19,860,419	19,715,480	19,847,846	19,703,600

See accompanying notes to consolidated financial statements.

Table of Contents**BANKFINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Dollars in thousands) (Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net income	\$ 798	\$ 1,026	\$ 3,135	\$ 249
Unrealized holding gain (loss) arising during the period	19	(142)	(36)	(1,048)
Tax effect		54		399
Change in other comprehensive income (loss), net of tax effect	19	(88)	(36)	(649)
Comprehensive income (loss)	\$ 817	\$ 938	\$ 3,099	\$ (400)

See accompanying notes to consolidated financial statements.

Table of Contents**BANKFINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS**

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Employee Stock Ownership Plan Shares	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2011	\$ 211	\$ 194,186	\$ 71,278	\$ (14,190)	\$ 1,800	\$ 253,285
Net income			249			249
Change in other comprehensive income, net of tax effects					(649)	(649)
Nonvested stock awards-stock-based compensation expense		32				32
Cash dividends declared on common stock (\$0.14 per share)			(2,950)			(2,950)
ESOP shares earned		(74)		485		411
Balance at June 30, 2011	\$ 211	\$ 194,144	\$ 68,577	\$ (13,705)	\$ 1,151	\$ 250,378
Balance at January 1, 2012	\$ 211	\$ 193,801	\$ 17,946	\$ (13,212)	\$ 1,111	\$ 199,857
Net income			3,135			3,135
Change in other comprehensive income, net of tax effects					(36)	(36)
Nonvested stock awards-stock-based compensation expense		41				41
Cash dividends declared on common stock (\$0.02 per share)			(422)			(422)
ESOP shares earned		(119)		487		368
Balance at June 30, 2012	\$ 211	\$ 193,723	\$ 20,659	\$ (12,725)	\$ 1,075	\$ 202,943

See accompanying notes to consolidated financial statements.

Table of Contents**BANKFINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOW**

Six months ended June 30, 2012 and 2011

(In thousands) (Unaudited)

	2012	2011
Cash flows from operating activities		
Net income	\$ 3,135	\$ 249
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	2,741	5,599
ESOP shares earned	368	411
Stock-based compensation expense	41	32
Depreciation and amortization	2,283	2,216
Amortization of premiums and discounts on securities and loans	(1,633)	(1,123)
Amortization of core deposit intangible	320	852
Amortization and impairment of servicing assets	180	105
Net change in net deferred loan origination costs	127	340
Net loss (gain) on sale of other real estate owned	(85)	(109)
Net gain on sale of loans	(385)	(58)
Net loss disposition of premises and equipment	157	20
Loans originated for sale	(9,585)	(4,880)
Proceeds from sale of loans	11,383	7,654
Net change in:		
Deferred income tax		(839)
Accrued interest receivable	1,046	(184)
Earnings on bank owned life insurance	(246)	(320)
Other assets	1,481	1,421
Accrued interest payable and other liabilities	(1,963)	(462)
Net cash from operating activities	9,365	10,924
Cash flows from investing activities		
Securities		
Proceeds from maturities	21,189	11,802
Proceeds from principal repayments	9,700	22,616
Proceeds from sales of securities		9,677
Purchases of securities	(13,184)	(9,786)
Loans receivable		
Principal payments on loans receivable	281,548	339,813
Purchases of loans	(398)	(151,354)
Originated for investment	(177,554)	(322,517)
Proceeds of redemption of Federal Reserve Bank stock		155
Proceeds of redemption of Federal Home Loan Bank of Chicago stock	6,186	
Proceeds from sale of other real estate owned	7,456	2,300
Purchases of premises and equipment, net	(1,495)	(413)
Cash acquired in acquisition		61,619
Net cash from (used in) investing activities	133,448	(36,088)

(Continued)

See accompanying notes to consolidated financial statements.

Table of Contents**BANKFINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOW**

Six months ended June 30, 2012 and 2011

(In thousands) (Unaudited)

	2012	2011
Cash flows from financing activities		
Net change in deposits	(42,969)	(69,985)
Net change in borrowings	759	(11,154)
Net change in advance payments by borrowers for taxes and insurance	(178)	2,925
Cash dividends paid on common stock	(422)	(2,950)
Net cash used in financing activities	(42,810)	(81,164)
Net change in cash and cash equivalents	100,003	(106,328)
Beginning cash and cash equivalents	120,704	220,810
Ending cash and cash equivalents	\$ 220,707	\$ 114,482
Supplemental disclosures of cash flow information:		
Interest paid	\$ 2,378	\$ 3,758
Income taxes paid		3
Income taxes refunded	1,115	
Loans transferred to other real estate owned	3,766	7,869
Supplemental disclosures of noncash investing activities Acquisition:		
Noncash assets acquired:		
Securities		\$ 10,177
Loans receivable		118,147
Other real estate owned		6,965
Stock in Federal Home Loan Bank and Federal Reserve Bank		903
Goodwill		1,296
Premises and equipment, net		7,442
Accrued interest receivable		355
Core deposit intangible		2,660
FDIC prepaid expense		774
Income tax receivable		774
Deferred taxes, net		2,662
Other assets		42
Total noncash items acquired		152,197
Liabilities assumed:		
Deposits		212,939
Advance payments by borrowers taxes and insurance		34
Accrued interest payable and other liabilities		843
Total liabilities assumed		213,816

Cash and cash equivalents acquired

\$ 61,619

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: BankFinancial Corporation, a Maryland corporation headquartered in Burr Ridge, Illinois, is the owner of all of the issued and outstanding capital stock of BankFinancial, F.S.B. (the "Bank").

Principles of Consolidation: The interim unaudited consolidated financial statements include the accounts of and transactions of BankFinancial Corporation, the Bank, and the Bank's wholly-owned subsidiaries, Financial Assurance Services, Inc. and BF Asset Recovery Corporation (collectively, the Company) and reflect all normal and recurring adjustments that are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. All significant intercompany accounts and transactions have been eliminated. The results of operations for the three- and six-month periods ended June 30, 2012, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2012.

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

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

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

These unaudited consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission.

Table of Contents**BANKFINANCIAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

NOTE 2 EARNINGS PER SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net income available to common shareholders	\$ 798	\$ 1,026	\$ 3,135	\$ 249
Average common shares outstanding	21,072,966	21,072,966	21,072,966	21,072,966
Less:				
Unearned ESOP shares	(1,209,023)	(1,350,347)	(1,221,191)	(1,362,395)
Unvested restricted stock shares	(3,524)	(8,667)	(3,929)	(8,667)
Weighted average common shares outstanding	19,860,419	19,713,952	19,847,846	19,701,904
Basic earnings per common share	\$ 0.04	\$ 0.05	\$ 0.16	\$ 0.01
Weighted average common shares outstanding	19,860,419	19,713,952	19,847,846	19,701,904
Net effect of dilutive stock options and unvested restricted stock		1,528		1,696
Weighted average diluted common shares outstanding	19,860,419	19,715,480	19,847,846	19,703,600
Diluted earnings per common share	\$ 0.04	\$ 0.05	\$ 0.16	\$ 0.01
Number of anti-dilutive stock options excluded from the diluted earnings per share calculation	1,881,053	2,202,553	1,881,053	2,202,553
Weighted average exercise price of anti-dilutive stock options	\$ 16.58	\$ 16.48	\$ 16.58	\$ 16.48

Table of Contents**BANKFINANCIAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

NOTE 3 SECURITIES

The following table summarizes the amortized cost and fair value of securities and the corresponding gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2012				
Certificates of deposit	\$ 21,930	\$	\$	\$ 21,930
Municipal securities	515	27		542
Equity mutual fund	500	30		530
Mortgage-backed securities residential	31,997	1,512	(1)	33,508
Collateralized mortgage obligations residential	18,296	209	(19)	18,486
SBA-guaranteed loan participation certificates	44			44
	\$ 73,282	\$ 1,778	\$ (20)	\$ 75,040
December 31, 2011				
Certificates of deposit	\$ 30,448	\$	\$	\$ 30,448
Municipal securities	515	36		551
Equity mutual fund	500	24		524
Mortgage-backed securities residential	34,691	1,385		36,076
Collateralized mortgage obligations residential	24,837	372	(23)	25,186
SBA-guaranteed loan participation certificates	47			47
	\$ 91,038	\$ 1,817	\$ (23)	\$ 92,832

The amortized cost and fair values of securities at June 30, 2012 by contractual maturity are shown below. Securities not due at a single maturity date are shown separately. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2012	
	Amortized Cost	Fair Value
Within one year	\$ 22,095	\$ 22,097
One to five years	350	375
	22,445	22,472
Equity mutual fund	500	530

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Mortgage-backed securities residential	31,997	33,508
Collateralized mortgage obligations residential	18,296	18,486
SBA-guaranteed loan participation certificates	44	44
Total	\$ 73,282	\$ 75,040

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

NOTE 3 SECURITIES (continued)

Securities with unrealized losses at June 30, 2012 and December 31, 2011 that were not recognized in income are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2012						
Mortgage-backed securities residential	\$ 72	\$ 1	\$	\$	\$ 72	\$ 1
Collateralized mortgage obligations residential			2,106	19	2,106	19
Total	\$ 72	\$ 1	\$ 2,106	\$ 19	\$ 2,178	\$ 20
December 31, 2011						
Collateralized mortgage obligations residential	\$	\$	\$ 2,134	\$ 23	\$ 2,134	\$ 23

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

Certain residential mortgage-backed securities and residential collateralized mortgage obligations that the Company holds in its investment portfolio remained in an unrealized loss position at June 30, 2012, but the unrealized losses were not considered significant under the Company's impairment testing methodology. In addition, the Company does not intend to sell these securities, and it is likely that the Company will not be required to sell the securities before an anticipated recovery occurs.

NOTE 4 LOANS RECEIVABLE

Loans receivable are as follows:

	June 30, 2012	December 31, 2011
One-to-four family residential real estate loans	\$ 252,034	\$ 272,032
Multi-family mortgage loans	390,112	423,615
Nonresidential real estate loans	299,567	311,641
Construction and land loans	15,391	19,852
Commercial loans	68,510	93,932
Commercial leases	121,356	134,990
Consumer loans	2,055	2,147

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Total loans	1,149,025	1,258,209
Net deferred loan origination costs	781	908
Allowance for loan losses	(30,878)	(31,726)
Loans, net	\$ 1,118,928	\$ 1,227,391

Table of Contents**BANKFINANCIAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

NOTE 4 LOANS RECEIVABLE (continued)

The following tables present the balance in the allowance for loan losses and the loans receivable by portfolio segment and based on impairment method:

	Allowance for loan losses				Loan Balances			
	Individually evaluated for impairment	Purchased impaired loans	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Purchased impaired loans	Collectively evaluated for impairment	Total
June 30, 2012								
One-to-four family residential real estate loans	\$ 2,255	\$ 82	\$ 4,695	\$ 7,032	\$ 15,225	\$ 2,297	\$ 234,512	\$ 252,034
Multi-family mortgage loans	1,730		4,301	6,031	18,743	1,491	369,878	390,112
Nonresidential real estate loans	6,198	57	4,934	11,189	31,010	2,661	265,896	299,567
Construction and land loans	1,019	46	560	1,625	3,971	2,324	9,096	15,391
Commercial loans	2,838	39	1,413	4,290	3,657	677	64,176	68,510
Commercial leases	91		543	634	159		121,197	121,356
Consumer loans	3		74	77	3		2,052	2,055
Total	\$ 14,134	\$ 224	\$ 16,520	\$ 30,878	\$ 72,768	\$ 9,450	\$ 1,066,807	1,149,025
Net deferred loan origination costs								781
Allowance for loan losses								(30,878)
Loans, net								\$ 1,118,928

	Allowance for loan losses			Loan Balances			
	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Purchased impaired loans	Collectively evaluated for impairment	Total
December 31, 2011							
One-to-four family residential real estate loans	\$ 1,883	\$ 4,220	\$ 6,103	\$ 14,181	\$ 3,941	\$ 253,910	\$ 272,032
Multi-family mortgage loans	1,881	4,201	6,082	20,380	1,418	401,817	423,615
Nonresidential real estate loans	8,126	5,630	13,756	32,669	3,375	275,597	311,641
Construction and land loans	959	725	1,684	3,263	4,788	11,801	19,852
Commercial loans	2,079	1,460	3,539	3,160	1,078	89,694	93,932
Commercial leases	22	482	504	22		134,968	134,990
Consumer loans	3	55	58	3		2,144	2,147

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Total	\$ 14,953	\$ 16,773	\$ 31,726	\$ 73,678	\$ 14,600	\$ 1,169,931	1,258,209
Net deferred loan origination costs							908
Allowance for loan losses							(31,726)
Loans, net							\$ 1,227,391

Table of Contents**BANKFINANCIAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

NOTE 4 LOANS RECEIVABLE (continued)

Activity in the allowance for loan losses is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Beginning balance	\$ 31,638	\$ 22,504	\$ 31,726	\$ 22,180
Loans charged off				
One-to-four family residential real estate loans	(591)	(415)	(1,263)	(2,043)
Multi-family mortgage loans	(135)	(542)	(689)	(779)
Nonresidential real estate loans	(2,202)		(2,635)	
Construction and land loans	(185)	(1,771)	(232)	(2,149)
Commercial loans	(31)	(42)	(169)	(42)
Commercial leases				
Consumer loans	(11)	(1)	(23)	(17)
	(3,155)	(2,771)	(5,011)	(5,030)
Recoveries:				
One-to-four family residential real estate loans	74	5	185	7
Multi-family mortgage loans	96	32	480	121
Nonresidential real estate loans	284	5	315	63
Construction and land loans	58		242	
Commercial loans	132	13	189	23
Commercial leases				
Consumer loans	6		11	
Recoveries	650	55	1,422	214
Net charge-off	(2,505)	(2,716)	(3,589)	(4,816)
Provision for loan losses	1,745	3,175	2,741	5,599
Ending balance	\$ 30,878	\$ 22,963	\$ 30,878	\$ 22,963

Impaired Loans

Impaired loans are summarized as follows:

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	June 30, 2012	December 31, 2011
Loans with allocated allowance for loan losses	\$ 46,757	\$ 45,649
Loans with no allocated allowance for loan losses	26,011	28,029
	72,768	73,678
Purchased impaired loans	9,450	14,600
Total impaired loans	\$ 82,218	\$ 88,278

Table of Contents**BANKFINANCIAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

NOTE 4 LOANS RECEIVABLE (continued)

The following table includes the unpaid principal balances and recorded investment for impaired loans, by class, with the associated allowance amount, if applicable. In addition, the table includes the average recorded investments in the impaired loans and the related amount of interest recognized for the duration of the impairment within the period reported.

	Loan Balance	Recorded Investment	Allowance for Loan Losses Allocated	For the Three Month ended June 30, 2012		For the Six Months ended June 30, 2012	
				Average Investment in Impaired Loans	Interest Income Recognized	Average Investment in Impaired Loans	Interest Income Recognized
<u>June 30, 2012</u>							
With no related allowance recorded:							
One-to-four family residential real estate loans	\$ 1,891	\$ 1,929	\$	\$ 2,159	\$ 45	\$ 2,121	\$ 54
One-to-four family residential real estate loans non-owner occupied	5,684	5,661		6,331	90	6,238	96
Multi-family mortgage loans	7,687	7,952		8,231	130	8,521	150
Wholesale commercial lending	3,301	3,279					