

BankFinancial CORP
Form 10-Q
July 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended June 30, 2014

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)

Maryland
(State or Other Jurisdiction
of Incorporation)

75-3199276
(I.R.S. Employer
Identification No.)

15W060 North Frontage Road, Burr Ridge, Illinois 60527
(Address of Principal Executive Offices)
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 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. At July 28, 2014, there were 21,101,966 shares of Common Stock, \$0.01 par value, outstanding.

BANKFINANCIAL CORPORATION

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June 30, 2014

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except share and per share data) - Unaudited

	June 30, 2014	December 31, 2013
Assets		
Cash and due from other financial institutions	\$ 13,715	\$ 15,781
Interest-bearing deposits in other financial institutions	119,790	145,176
Cash and cash equivalents	133,505	160,957
Securities, at fair value	108,979	110,907
Loans receivable, net of allowance for loan losses: June 30, 2014, \$14,452 and December 31, 2013, \$14,154	1,117,593	1,098,077
Other real estate owned, net	7,704	6,306
Stock in Federal Home Loan Bank, at cost	6,257	6,068
Premises and equipment, net	34,432	35,328
Accrued interest receivable	3,743	3,933
Core deposit intangible	2,141	2,433
Bank owned life insurance	22,083	21,958
Other assets	5,869	7,627
Total assets	\$ 1,442,306	\$ 1,453,594
Liabilities		
Deposits		
Noninterest-bearing	\$ 131,775	\$ 126,680
Interest-bearing	1,105,565	1,126,028
Total deposits	1,237,340	1,252,708
Borrowings	3,068	3,055
Advance payments by borrowers for taxes and insurance	11,034	10,432
Accrued interest payable and other liabilities	12,545	11,772
Total liabilities	1,263,987	1,277,967
Stockholders' equity		
Preferred Stock, \$0.01 par value, 25,000,000 shares authorized, none issued or outstanding	—	—
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 21,101,966 shares issued at June 30, 2014 and December 31, 2013	211	211
Additional paid-in capital	193,684	193,594
Retained earnings (deficit)	(5,207	) (7,342)
Unearned Employee Stock Ownership Plan shares	(10,769	) (11,255)
Accumulated other comprehensive income	400	419
Total stockholders' equity	178,319	175,627
Total liabilities and stockholders' equity	\$ 1,442,306	\$ 1,453,594

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data) - Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest and dividend income				
Loans, including fees	\$ 12,085	\$ 11,854	\$ 23,784	\$ 24,132
Securities	287	219	583	469
Other	110	203	201	388
Total interest income	12,482	12,276	24,568	24,989
Interest expense				
Deposits	773	933	1,583	1,919
Borrowings	1	2	3	10
Total interest expense	774	935	1,586	1,929
Net interest income	11,708	11,341	22,982	23,060
Provision for loan losses	957	206	1,433	928
Net interest income after provision for loan losses	10,751	11,135	21,549	22,132
Noninterest income				
Deposit service charges and fees	465	509	898	1,008
Other fee income	600	604	1,127	1,142
Insurance commissions and annuities income	86	86	173	195
Gain (loss) on sale of loans, net	44	(4	) 68	1,413
Loss on sale of securities (includes \$7 accumulated other compre-hensive income reclassifications for unrealized net losses on available for sale securities for the six months ended June 30, 2014)	—	—	(7) —
Gain on disposition of premises and equipment, net	3	—	5	—
Loan servicing fees	104	114	208	237
Amortization and impairment of servicing assets	(44	) (76	) (80	) (109
Earnings on bank owned life insurance	61	82	125	152
Trust	170	183	334	364
Other	171	205	341	330
	1,660	1,703	3,192	4,732
Noninterest expense				
Compensation and benefits	5,596	6,686	11,554	13,438
Office occupancy and equipment	1,626	1,805	3,540	3,753
Advertising and public relations	304	268	466	414
Information technology	691	819	1,330	1,577
Supplies, telephone, and postage	384	400	775	852
Amortization of intangibles	143	150	292	306
Nonperforming asset management	97	655	201	1,349
Operations of other real estate owned	409	422	666	933
FDIC insurance premiums	470	477	949	969
Other	1,262	1,080	2,580	2,519
	10,982	12,762	22,353	26,110
Income before income taxes	1,429	76	2,388	754
Income tax expense	25	—	42	—

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Net income	\$1,404	\$76	\$2,346	\$754
Basic earnings per common share	\$0.07	\$—	\$0.12	\$0.04
Diluted earnings per common share	\$0.07	\$—	\$0.12	\$0.04
Weighted average common shares outstanding	20,145,809	19,989,757	20,122,362	19,976,964
Diluted weighted average common shares outstanding	20,160,050	19,990,313	20,136,405	19,977,171

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In thousands) - Unaudited

	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2014	2013	2014	2013	
Net income	\$1,404	\$76	\$2,346	\$754	
Unrealized holding loss arising during the period, net of tax	(56	) (320	) (26	) (444)
Reclassification adjustment for losses included in net income	—	—	7	—	
Net current period other comprehensive loss	(56	) (320	) (19	) (444)
Comprehensive income (loss)	\$1,348	\$(244) \$2,327	\$310	

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands, except per share data) - Unaudited

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Unearned Employee Stock Ownership Plan Shares	Accumulated Other Comprehen-sive Income	Total
Balance at January 1, 2013	\$211	\$193,590	\$(9,796)	\$(12,233)	\$ 1,118	\$172,890
Net income	—	—	754	—	—	754
Other comprehensive loss, net of tax effects	—	—	—	—	(444)	(444)
Nonvested stock awards-stock-based compensation expense	—	38	—	—	—	38
Cash dividends declared on common stock (\$0.02 per share)	—	—	(422)	—	—	(422)
ESOP shares earned	—	(72)	—	485	—	413
Balance at June 30, 2013	\$211	\$193,556	\$(9,464)	\$(11,748)	\$ 674	\$173,229
Balance at January 1, 2014	\$211	\$193,594	\$(7,342)	\$(11,255)	\$ 419	\$175,627
Net income	—	—	2,346	—	—	2,346
Other comprehensive loss, net of tax effects	—	—	—	—	(19)	(19)
Nonvested stock awards-stock-based compensation expense	—	34	—	—	—	34
Cash dividends declared on common stock (\$0.01 per share)	—	—	(211)	—	—	(211)
ESOP shares earned	—	56	—	486	—	542
Balance at June 30, 2014	\$211	\$193,684	\$(5,207)	\$(10,769)	\$ 400	\$178,319

See accompanying notes to the consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) - Unaudited

	Six Months Ended	
	June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$2,346	\$754
Adjustments to reconcile to net income to net cash from operating activities		
Provision for loan losses	1,433	928
ESOP shares earned	542	413
Stock-based compensation expense	34	38
Depreciation and amortization	1,932	2,221
Amortization of premiums and discounts on securities and loans	(257)	(414)
Amortization of core deposit intangible	292	306
Amortization and impairment of servicing assets	80	109
Net change in net deferred loan origination costs	(86)	(53)
Net loss (gain) on sale of other real estate owned	(92)	118
Net gain on sale of loans	(68)	(1,413)
Net loss on sale of securities	7	—
Net gain on disposition of premises and equipment	(5)	—
Loans originated for sale	(1,986)	(7,601)
Proceeds from sale of loans	2,054	8,182
Other real estate owned valuation adjustments	77	230
Net change in:		
Accrued interest receivable	190	396
Earnings on bank owned life insurance	(125)	(152)
Other assets	1,564	2,237
Accrued interest payable and other liabilities	773	34
Net cash from operating activities	8,705	6,333
Cash flows from investing activities		
Securities		
Proceeds from maturities	29,194	21,268
Proceeds from principal repayments	3,346	8,724
Proceeds from sales of securities	3,663	—
Purchases of securities	(34,317)	(3,175)
Loans receivable		
Principal payments on loans receivable	221,233	228,608
Originated for investment	(245,967)	(213,704)
Proceeds from sale of loans	—	2,868
Proceeds of redemption of Federal Home Loan Bank of Chicago stock	—	2,344
Purchase of Federal Home Loan Bank of Chicago stock	(189)	—
Proceeds from sale of other real estate owned	2,067	6,478
Purchase of premises and equipment, net	(223)	(25)
Net cash from (used in) investing activities	(21,193)	53,386

Continued

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BANKFINANCIAL CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands) - Unaudited

	Six Months Ended June 30,	
Cash flows from financing activities		
Net change in deposits	\$(15,368	) \$(20,255)
Net change in borrowings	13	(2,627)
Net change in advance payments by borrowers for taxes and insurance	602	(86)
Cash dividends paid on common stock	(211	) (422)
Net cash used in financing activities	(14,964	) (23,390)
Net change in cash and cash equivalents	(27,452	) 36,329
Beginning cash and cash equivalents	160,957	275,764
Ending cash and cash equivalents	\$133,505	\$312,093
Supplemental disclosures of cash flow information:		
Interest paid	\$1,592	\$1,951
Income taxes paid	114	—
Income taxes refunded	—	461
Loans transferred to other real estate owned	3,460	2,756
Due to broker for purchase of securities not settled	—	2,535

See accompanying notes to the 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, 2014 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2014. 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, other intangible assets, stock-based compensation, impairment of securities and 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, 2013, as filed with the Securities and Exchange Commission.

Recent Accounting Pronouncements

FASB ASC 606 - In May 2014, the FASB issued an update (ASU No. 2014-09, Revenue from Contracts with Customers) creating FASB Topic 606, Revenue from Contracts with Customers. The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides steps to follow to achieve the core principle. An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Qualitative and quantitative information is required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting the new guidance on the 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 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		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income available to common stockholders	\$1,404	\$76	\$2,346	\$754
Average common shares outstanding	21,101,966	21,088,263	21,101,966	21,080,657
Less:				
Unearned ESOP shares	(937,585)	(1,084,709)	(957,463)	(1,096,757)
Unvested restricted stock shares	(18,572)	(13,797)	(22,141)	(6,936)
Weighted average common shares outstanding	20,145,809	19,989,757	20,122,362	19,976,964
Add - Net effect of dilutive stock options and unvested restricted stock	14,241	556	14,043	207
Diluted weighted average common shares outstanding	20,160,050	19,990,313	20,136,405	19,977,171
Basic earnings per common share	\$0.07	\$—	\$0.12	\$0.04
Diluted earnings per common share	\$0.07	\$—	\$0.12	\$0.04

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3 - SECURITIES

The fair value of securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income are shown below.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2014				
Certificates of deposit	\$70,133	\$—	\$—	\$70,133
Municipal securities	180	3	—	183
Equity mutual fund	500	7	—	507
Mortgage-backed securities - residential	25,284	1,159	(70	) 26,373
Collateralized mortgage obligations - residential	11,767	42	(58	) 11,751
SBA-guaranteed loan participation certificates	32	—	—	32
	\$107,896	\$1,211	\$(128	) \$108,979
December 31, 2013				
Certificates of deposit	\$65,010	\$—	\$—	\$65,010
Municipal securities	180	7	—	187
Equity mutual fund	500	—	(3	) 497
Mortgage-backed securities - residential	27,229	1,295	(160	) 28,364
Collateralized mortgage obligations - residential	16,851	35	(72	) 16,814
SBA-guaranteed loan participation certificates	35	—	—	35
	\$109,805	\$1,337	\$(235	) \$110,907

Mortgage-backed securities and collateralized mortgage obligations reflected in the preceding table were issued by U.S. government-sponsored entities or agencies, Freddie Mac, Fannie Mae and Ginnie Mae, and are obligations which the government has affirmed its commitment to support. All securities reflected in the preceding table were classified as available-for-sale at June 30, 2014 and December 31, 2013.

The amortized cost and fair values of securities 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, 2014	
	Amortized Cost	Fair Value
Due in one year or less	\$70,313	\$70,316
Equity mutual fund	500	507
Mortgage-backed securities - residential	25,284	26,373
Collateralized mortgage obligations - residential	11,767	11,751
SBA-guaranteed loan participation certificates	32	32
	\$107,896	\$108,979

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3 - SECURITIES (continued)

Sales of securities were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Proceeds	\$—	\$—	\$3,663	\$—
Gross gains	—	—	—	—
Gross losses	—	—	7	—

Securities with unrealized losses 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, 2014						
Mortgage-backed securities - residential	\$—	\$—	\$2,473	\$(70)	\$2,473	\$(70)
Collateralized mortgage obligations - residential	9,660	(58)	—	—	9,660	(58)
	\$9,660	\$(58)	\$2,473	\$(70)	\$12,133	\$(128)
December 31, 2013						
Equity mutual fund	\$497	\$(3)	\$—	\$—	\$497	\$(3)
Mortgage-backed securities - residential	2,806	(160)	—	—	2,806	(160)
Collateralized mortgage obligations - residential	11,233	(72)	—	—	11,233	(72)
	\$14,536	\$(235)	\$—	\$—	\$14,536	\$(235)

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 certain collateralized mortgage obligations that the Company holds in its investment portfolio were in an unrealized loss position at June 30, 2014, 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 these securities before their anticipated recovery occurs.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4 - LOANS RECEIVABLE

Loans receivable are as follows:

	June 30, 2014	December 31, 2013
One-to-four family residential real estate	\$ 193,826	\$ 201,382
Multi-family mortgage	439,318	396,058
Nonresidential real estate	246,962	263,567
Construction and land	2,882	6,570
Commercial loans	45,803	54,255
Commercial leases	199,908	187,112
Consumer	2,290	2,317
	1,130,989	1,111,261
Net deferred loan origination costs	1,056	970
Allowance for loan losses	(14,452)	(14,154)
Loans, net	\$ 1,117,593	\$ 1,098,077

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, 2014								
One-to-four family residential real estate	\$9	\$5	\$ 3,174	\$3,188	\$3,516	\$102	\$ 190,208	\$ 193,826
Multi-family mortgage	387	—	5,176	5,563	4,829	—	434,489	439,318
Nonresidential real estate	243	—	3,507	3,750	6,733	157	240,072	246,962
Construction and land	11	—	239	250	119	—	2,763	2,882
Commercial loans	—	—	523	523	76	—	45,727	45,803
Commercial leases	—	—	1,075	1,075	8	—	199,900	199,908
Consumer	—	—	103	103	—	—	2,290	2,290
	\$650	\$5	\$ 13,797	\$ 14,452	\$ 15,281	\$ 259	\$ 1,115,449	1,130,989
Net deferred loan origination costs								1,056
Allowance for loan losses								(14,452)
Loans, net								\$ 1,117,593

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4 - LOANS RECEIVABLE (continued)

	Allowance for loan losses			Total	Loan Balances			Total
	Individually evaluated for impairment	Purchased impaired loans	Collectively evaluated for impairment		Individually evaluated for impairment	Purchased impaired loans	Collectively evaluated for impairment	
December 31, 2013								
One-to-four family residential real estate	\$26	\$5	\$ 3,817	\$3,848	\$3,692	\$100	\$197,590	\$201,382
Multi-family mortgage	255	—	4,189	4,444	7,031	—	389,027	396,058
Nonresidential real estate	77	—	3,658	3,735	4,381	1,633	257,553	263,567
Construction and land	12	—	381	393	383	—	6,187	6,570
Commercial loans	—	—	731	731	—	23	54,232	54,255
Commercial leases	—	—	946	946	—	—	187,112	187,112
Consumer	—	—	57	57	77	—	2,240	2,317
	\$370	\$5	\$ 13,779	\$14,154	\$15,564	\$1,756	\$1,093,941	1,111,261
Net deferred loan origination costs								970
Allowance for loan losses								(14,154)
Loans, net								\$1,098,077

Activity in the allowance for loan losses is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Beginning balance	\$14,181	\$17,453	\$14,154	\$18,035
Loans charged offs:				
One-to-four family residential real estate	(290)	(176)	(346)	(545)
Multi-family mortgage	(594)	(374)	(684)	(610)
Nonresidential real estate	(186)	(153)	(766)	(232)
Construction and land	(1)	—	(1)	(927)
Commercial loans	—	(213)	(22)	(232)
Consumer	(4)	(12)	(10)	(12)
	(1,075)	(928)	(1,829)	(2,558)
Recoveries:				
One-to-four family residential real estate	97	85	108	327
Multi-family mortgage	6	159	20	216
Nonresidential real estate	264	103	284	122
Construction and land	8	1	258	3
Commercial loans	14	16	22	21
Consumer	—	2	2	3
	389	366	694	692
Net charge-off	(686)	(562)	(1,135)	(1,866)

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Provision for loan losses	957	206	1,433	928
Ending balance	\$14,452	\$17,097	\$14,452	\$17,097

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4 - LOANS RECEIVABLE (continued)

Impaired loans

Several of the following disclosures are presented by “recorded investment,” which the FASB defines as “the amount of the investment in a loan, which is not net of a valuation allowance, but which does reflect any direct write-down of the investment.” The following represents the components of recorded investment:

Loan principal balance
Less unapplied payments
Plus negative unapplied balance
Less escrow balance
Plus negative escrow balance
Plus unamortized net deferred loan costs
Less unamortized net deferred loan fees
Plus unamortized premium
Less unamortized discount
Less previous charge-offs
Plus recorded accrued interest
Less reserve for uncollected interest
= Recorded investment

The following tables present loans individually evaluated for impairment by class of loans, excluding purchased impaired loans:

					Three months ended June 30, 2014	Interest Income Recognized	Six months ended June 30, 2014	Interest Income Recognized
	Loan Balance	Recorded Investment	Partial Charge-off	Allowance for Loan Losses Allocated	Average Investment in Impaired Loans		Average Investment in Impaired Loans	
June 30, 2014								
With no related allowance recorded:								
One-to-four family residential real estate	\$4,178	\$ 2,750	\$ 1,405	\$ —	\$2,808	\$ 3	\$2,680	\$ 7
One-to-four family residential real estate - non-owner occupied	641	619	45	—	836	—	817	7
Multi-family mortgage	2,197	2,130	23	—	3,902	10	4,062	17
Wholesale commercial lending	523	525	—	—	524	9	300	17
Nonresidential real estate	7,164	5,045	264	—	5,905	51	4,744	86
Land	—	—	—	—	113	—	145	—
Commercial loans - secured	77	77	—	—	79	1	78	2
Non-rated commercial leases	8	8	—	—	8	—	5	—
	14,788	11,154	1,737	—	14,175	74	12,831	136
With an allowance recorded:								
One-to-four family residential real estate - non-owner	186	130	56	9	235	—	292	—

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occupied								
Multi-family mortgage	3,122	2,144	957	387	1,821	6	2,030	25
Nonresidential real estate	2,216	1,651	562	243	1,716	11	1,306	27
Land	180	118	61	11	119	—	119	—
	5,704	4,043	1,636	650	3,891	17	3,747	52
Total	\$20,492	\$ 15,197	\$ 3,373	\$ 650	\$18,066	\$ 91	\$16,578	\$ 188

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4 - LOANS RECEIVABLE (continued)

	Loan Balance	Recorded Investment	Partial Charge-off	Allowance for Loan Losses Allocated	Average Investment in Impaired Loans	Interest Income Recognized
December 31, 2013						
With no related allowance recorded:						
One-to-four family residential real estate	\$3,656	\$ 2,540	\$ 1,102	\$ —	\$ 3,693	\$ 20
One-to-four family residential real estate - non-owner occupied	875	706	137	—	591	—
Multi-family mortgage	5,466	4,449	4	—	6,098	27
Wholesale commercial lending	—	—	—	—	306	—
Nonresidential real estate	4,062	3,313	253	—	4,054	33
Land	274	263	8	—	169	—
Commercial loans - secured						