CAMCO FINANCIAL CORP
Form 10-Q
May 17, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from __________ to __________

Commission File Number 0-25196

CAMCO FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	51-0110823
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

814 Wheeling Avenue, Cambridge, Ohio 43725-9757

(Address of principal executive office) (Zip code)

Registrant s telephone number, including area code: (740) 435-2020

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 þ No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company þ

Indicate by checkmark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No þ

As of May 14, 2010, the latest practicable date, 7,205,595 shares of the registrant s common stock, $1.00 par value, were outstanding.

Camco Financial Corporation
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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except share data)

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
Cash and due from banks	$ 19,527	$ $20,490
Interest-bearing deposits in other financial institutions	8,767	17,663
Cash and cash equivalents	28,294	38,153
Securities available for sale, at fair value	47,880	55,950
Securities held to maturity, at cost, approximate fair value of $2,125 and $2,200 as of March 31, 2010 and December 31, 2009, respectively	2,055	2,113
Loans held for sale at lower of cost or fair value	1,600	475
Loans receivable net	683,945	659,022
Office premises and equipment net	10,750	10,870
Real estate acquired through foreclosure	10,373	9,660
Federal Home Loan Bank stock at cost	29,888	29,888
Accrued interest receivable	3,858	3,979
Mortgage servicing rights at lower of cost or fair value	4,463	4,433
Prepaid expenses and other assets	5,186	5,712
Cash surrender value of life insurance	18,851	18,838
Prepaid and refundable federal income taxes	4,336	3,562
Total assets	$ **851,479**	$ **842,655**
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	$ 649,354	$ $659,902
Other Borrowings	14,051	11,941
Advances from the Federal Home Loan Bank	116,192	97,291
Advances by borrowers for taxes and insurance	1,040	1,909
Accounts payable and accrued liabilities	9,962	11,098
Total liabilities	**790,599**	**782,141**
Commitments		
Stockholders equity:		
Preferred stock $1 par value; authorized 100,000 shares; no shares outstanding	8,885	8,885

Common stock $1 par value; authorized 14,900,000 shares; 8,884,508 shares issued at March 31, 2010 and December 31, 2009		
Unearned compensation	(94)	(125)
Additional paid-in capital	60,262	60,124
Retained earnings	14,824	14,695
Accumulated other comprehensive income net of related tax effects	1,117	1,049
Treasury stock -1,678,913 shares at March 31, 2010 and December 31, 2009, at cost	(24,114)	(24,114)
Total stockholders equity	**60,880**	**60,514**
Total liabilities and stockholders equity	$ **851,479**	**$ 842,655**

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF EARNINGS
For the three months ended March 31,
(In thousands, except per share data)

	2010	2009
	(unaudited)	
Interest and dividend income		
Loans	$ 9,280	$ 10,567
Investment securities	578	975
Other interest-earning accounts	340	345
Total interest and dividend income	10,198	11,887
Interest Expense		
Deposits	2,945	4,473
Borrowings	997	1,569
Total interest expense	3,942	6,042
Net interest income	6,256	5,845
Provision for losses on loans	905	648
Net interest income after provision for losses on loans	5,351	5,197
Other income		
Late charges, rent and other	409	461
Loan servicing fees	317	316
Service charges and other fees on deposits	518	501
Gain on sale of loans	229	369
Mortgage servicing rights net	30	60
Income on cash surrender value life	215	256
Total other income	1,718	1,963
General, administrative and other expenses		
Employee compensation and benefits	3,385	3,476
Occupancy and equipment	742	782
Federal deposit insurance premiums	478	281
Data processing	280	307
Advertising	81	172
Franchise taxes	265	268
Postage, supplies and office expenses	293	360
Travel, training and insurance	78	66
Professional services	575	444
Transaction processing	193	274
Real estate owned and other expenses	422	277
Loan expenses	150	296
Total general, administrative and other expense	6,942	7,003

Earnings before federal income taxes		127		157
Federal income taxes		(2)		(78)
NET EARNINGS	**$**	**129**	**$**	**235**
EARNINGS PER SHARE Basic	**$**	**.02**	**$**	**.03**
Diluted	**$**	**.02**	**$**	**.03**
Dividends declared per share	**$**	**.00**	**$**	**.01**

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the three months ended March 31,
(In thousands)

	2010	2009
	(unaudited)	
Net earnings	$ 129	$ 235
Other comprehensive income, net of tax:		
Unrealized holding gains on securities during the period, net of tax effects of $35 and $114 in 2010 and 2009, respectively	68	221
Comprehensive income	**$ 197**	**$ 456**

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31,
(In thousands)

	2010	2009
	(unaudited)	
Cash flows from operating activities:		
Net earnings for the period	$ 129	$ 235
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Amortization of deferred loan origination fees	38	150
Amortization of premiums and discounts on investment and mortgage-backed securities net	6	(24)
Amortization of mortgage servicing rights net	103	224
Depreciation and amortization	289	317
Provision for losses on loans	905	648
Stock option expense	138	228
Deferred compensation	31	(50)
Provisions for losses on REO	77	
(Gain) loss on sale of real estate acquired through foreclosure	3	5
Gain on sale of loans	(229)	(369)
Loans originated for sale in the secondary market	(13,302)	(28,166)
Proceeds from sale of loans in the secondary market	12,406	26,380
Net increase in cash surrender value of life insurance	(173)	(217)
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	121	198
Prepaid expenses and other assets	(283)	(1,632)
Accrued interest and other liabilities	(1,136)	1,021
Net cash used in operating activities	(877)	(1,052)
Cash flows provided by (used in) investing activities:		
Principal repayments, maturities on securities held to maturity	56	3,100
Principal repayments, maturities on securities available for sale	8,169	12,011
Purchases of investment securities designated as available for sale		(11,501)
Loan principal repayments	42,791	74,966
Loan disbursements	(70,179)	(44,751)
Additions to office premises and equipment	(169)	(100)
Proceeds from sale of life insurance	160	
Proceeds from sale of real estate acquired through foreclosure	596	1,624
Net cash provided by (used in) investing activities	(18,576)	35,349
Net cash provided by (used in) operating and investing activities balance carried forward	(19,453)	34,297

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the three months ended March 31,
(In thousands)

	2010	2009
Net cash provided by (used in) operating and investing activities (balance brought forward)	$ (19,453)	$ 34,297
Cash flows provided by (used in) financing activities:		
Net decrease in deposits	(10,548)	(3,692)
Proceeds from Federal Home Loan Bank advances and other borrowings	64,397	15,000
Repayment of Federal Home Loan Bank advances and other borrowings	(43,386)	(40,269)
Dividends paid on common stock		(72)
Decrease in advances by borrowers for taxes and insurance	(869)	(1,541)
Net cash provided by (used in) financing activities	9,594	(30,574)
Increase (decrease) in cash and cash equivalents	(9,859)	3,723
Cash and cash equivalents at beginning of period	38,153	52,285
Cash and cash equivalents at end of period	**$ 28,294**	**$ 56,008**
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits and borrowings	$ 4,283	$ 6,266
Income taxes		
Transfers from loans to real estate acquired through foreclosure	1,389	1,917

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Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended March 31, 2010 and 2009

1. Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America (US GAAP). Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Camco Financial Corporation (Camco or the Corporation) included in Camco s Annual Report on Form 10-K for the year ended December 31, 2009. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three month period ended March 31, 2010, are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Camco and its two wholly-owned subsidiaries: Advantage Bank (Advantage or the Bank) and Camco Title Agency, Inc.

3. Critical Accounting Policies

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of mortgage servicing rights. Actual results could differ from those estimates.

We believe the accounting estimates related to the allowance for loan losses, the capitalization, amortization, and valuation of mortgage servicing rights and deferred income taxes are critical accounting estimates because: (1) the estimates are highly susceptible to change from period to period because they require us to make assumptions concerning the changes in the types and volumes of the portfolios, rates of future prepayments, and anticipated economic conditions, and (2) the impact of recognizing an impairment or loan loss could have a material effect on Camco s assets reported on the balance sheet as well as its net earnings.

Allowance for Loan Losses

The procedures for assessing the adequacy of the allowance for loan losses reflect management s evaluation of credit risk after careful consideration of all information available to management. In developing this assessment, management must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown such as economic factors, developments affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses.

Each quarter management analyzes the adequacy of the allowance for loan losses based on review of the loans in the portfolio along with an analysis of external factors (including current housing price depreciation, homeowners loss of equity, etc) and historical delinquency and loss trends. The allowance is developed through specific components; 1) the specific allowance for loans subject to individual analysis, 2) the allowance for classified loans not otherwise subject to individual analysis and 3) the allowance for non-classified loans (including homogenous loans).

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended March 31, 2010 and 2009

Classified loans with indication or acknowledgment of deterioration in specific industries are subject to individual analysis. Loan classifications are those used by regulators consisting of Special Mention, Substandard, Doubtful and Loss. In evaluating these loans for impairment, the measure of expected loss is based on the present value of the expected future cash flows discounted at the loan s effective interest rate, a loan s observable market price or the fair value of the collateral if the loan is collateral dependent. All other classified assets and non-classified assets are combined with the homogenous loan pools and segregated into loan segments. The segmentation is based on grouping loans with similar risk characteristics (one-to-four family, home equity, etc.). Loss rate factors are developed for each loan segment which are used to estimate losses and determine an allowance. The loss factors for each segment are derived from historical loss experience. Management also considers various internal and external factors to determine additional adjustments needed such as historical delinquency, trends in classifications, etc.

The allowance is reviewed by management to determine whether the amount is considered adequate to absorb losses inherent in the loan portfolio. Management s evaluation of the adequacy of the allowance is an estimate based on management s current judgment about the credit quality of the loan portfolio. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for loan pools that are based on historical loss experience, and general loss estimates that are based upon the size, quality, and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower s ability to repay, and current economic and industry conditions. Also considered as part of that judgment is a review of the Bank s trends in delinquencies and loan losses, trends in delinquencies and losses for the region, nation, and economic factors. While the Corporation strives to reflect all known risk factors in its evaluations, judgment errors may occur.

Mortgage Servicing Rights

To determine the fair value of our mortgage servicing rights (MSRs) each reporting quarter, we transmit information to a third party provider who assists us with determining the possible impairment of MSRs, as described below.

Servicing assets are recognized as separate assets when loans are sold with servicing retained. A pooling methodology, in which loans with similar characteristics are pooled together, is applied for valuation purposes. Once pooled, each grouping of loans is evaluated on a discounted earnings basis to determine the present value of future earnings that a purchaser could expect to realize from the portfolio. Earnings are projected from a variety of sources including loan service fees, interest earned on float, net interest earned on escrow balances, miscellaneous income and costs to service the loans. The present value of future earnings is the estimated market value for the pool, calculated using consensus assumptions that a third party purchaser would utilize in evaluating a potential acquisition of the servicing. Events that may significantly affect the estimates used are changes in interest rates and the related impact on mortgage loan prepayment speeds and the payment performance of the underlying loans. The interest rate for float is also calculated by our third party utilizing the current period fed funds rate. We believe this methodology provides a reasonable estimate. Mortgage loan prepayment speeds are calculated by the third party provider utilizing industry standards in estimating prepayment speeds and provides specific scenarios with each evaluation. Based on the assumptions discussed, pre-tax projections are prepared for each pool of loans serviced. These earning figures approximate the cash flow that could be received from the servicing portfolio. Valuation results are presented quarterly to management. At that time, we review the information and MSRs are marked to the lower of amortized cost or fair value for the current quarter.

Deferred Income Taxes

Camco recognizes expense for federal income taxes currently payable as well as for deferred federal taxes for estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the consolidated balance sheets, as well as loss carry forwards and tax credit carry forwards. Realization of a deferred tax asset is dependent upon generating sufficient taxable income in either the carry forward or carry back periods to cover net operating losses generated by the reversal of temporary differences. A valuation allowance is provided by way of a charge to income tax expense if it is determined that it is more likely than not that some or all of the deferred tax asset will be realized. If different assumptions and conditions were to prevail, the valuation allowance

may not be adequate to absorb unrealized deferred taxes and the amount of income taxes payable may need to be adjusted by way of a charge or credit to expense. Furthermore, income tax returns are subject to audit by the IRS. Income tax expense for current and prior periods is subject to adjustment based upon the outcome of such audits. Camco believes it has adequately accrued for all probable income taxes payable. Accrual of income taxes payable and valuation allowances against deferred tax assets are estimates subject to change based upon the outcome of future events.

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended March 31, 2010 and 2009

4. Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the year. Diluted earnings per common share is computed including the dilutive effect of additional potential common shares issuable under outstanding stock options. The computations were as follows for the period ended March 31:

(in thousands, except per share information)	For the three months ended March 31, 2010	2009
BASIC:		
Net earnings	$ 129	$ 235
Weighted average common shares outstanding	7,206	7,193
Earnings per share Basic	$ 0.02	$ 0.03
DILUTED:		
Net earnings	$ 129	$ 235
Weighted average common shares outstanding	7,206	7,193
Dilutive effect of stock options	33	
Total common shares and dilutive potential common shares	7,239	7,193
Earnings per share Diluted	$ 0.02	$ 0.03

Anti-dilutive options to purchase 139,500 and 324,401 shares of common stock with respective weighted-average exercise prices of $13.85 and $11.44 were outstanding at March 31, 2010 and 2009, respectively, but were excluded from the computation of common share equivalents for each of the three month periods, because the exercise prices were greater than the average market price of the common shares.

5. Stock Option Plans

The Corporation follows a fair-value based method for valuing stock-based compensation that measures compensation cost at the grant date based on the fair value of the award.

The fair value of each option grant is estimated on the date of grant using the modified Black-Scholes options-pricing model. The following table details the fair value and assumptions used to value stock options as of the grant date that were granted during the three months ended March 31, 2010 and 2009:

	2010	2009
Fair value, calculated	$ 1.65	$ 1.43
Exercise Price	$ 2.51	$ 2.46
Risk-free interest rate	3.61%	2.66%
Expected stock price volatility	51.62%	61.00%

Expected dividend yield		1.63%
Expected Life	10 years	10 years

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Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended March 31, 2010 and 2009

A summary of the status of the Corporation s stock option plans as of March 31, 2010 and December 31, 2009, and changes during the periods ending on those dates is presented below:

	Three Months ended March 31, 2010		Year ended December 31, 2009	
	Shares	**Weighted-average exercise price**	**Shares**	**Weighted-average exercise price**
Outstanding at beginning of period	260,833	$ 10.59	260,703	$ 14.11
Granted	260,729	2.51	80,000	2.46
Exercised				
Forfeited	(41,332)	15.29	(79,870)	13.96
Expired				
Outstanding at end of period	**480,230**	**$ 5.80**	**260,833**	**$ 10.59**
Options exercisable at period end	**259,527**	**$ 7.52**	**235,451**	**$ 10.54**
Weighted-average fair value of options granted during the year		**$ 1.65**		**$ 1.43**

The following information applies to options outstanding at March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$1.89 2.51	340,729	9.5	$ 2.50	132,145	$ 2.50
8.92 9.75	24,152	7.3	9.01	15,218	9.02
11.36 14.16	59,474	4.5	13.37	56,290	13.52
14.55 17.17	55,875	3.5	16.13	55,874	16.43
	480,230	6.6	5.80	259,527	7.52

6. Fair Value

As a financial services corporation, the carrying value of certain financial assets and liabilities is impacted by the application of fair value measurements, either directly or indirectly. In certain cases, an asset or liability is measured and reported at fair value on a recurring basis, such as available-for-sale investment securities. In other cases, management must rely on estimates or judgments to determine if an asset or liability not measured at fair value warrants an impairment write-down or whether a valuation reserve should be established. Given the inherent volatility, the use of fair value measurements may have a significant impact on the carrying value of assets or liabilities, or result in material changes to the financial statements, from period to period.

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments. The use of different market assumptions and/or estimation methodologies may have a material

effect on the estimated fair value amounts.

Cash and Cash Equivalents: The carrying amount reported in the consolidated statements of financial condition for cash and cash equivalents is deemed to approximate fair value.

Investment Securities: Fair values for investment securities are based on quoted market prices and dealer quotes.

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended March 31, 2010 and 2009

Loans Held for Sale: Fair value for loans held for sale is the contracted sales price of loans committed for delivery, which is determined on the date of sale commitment.

Loans Receivable: The loan portfolio has been segregated into categories with similar characteristics, such as one- to four-family residential real estate, multi-family residential real estate, installment and other. These loan categories were further delineated into fixed-rate and adjustable-rate loans. The fair values for the resultant loan categories were computed via discounted cash flow analysis, using current interest rates offered for loans with similar terms to borrowers of similar credit quality.

Federal Home Loan Bank stock: The carrying amount presented in the consolidated statements of financial condition is deemed to approximate fair value.

Accrued Interest Receivable and Payable: The carrying value for accrued interest approximates fair value.

Deposits: The fair values of deposits with no stated maturity, such as money market demand deposits, savings and NOW accounts have been analyzed by management and assigned estimated maturities and cash flows which are then discounted to derive a value. The fair value of fixed-rate certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Advances from the Federal Home Loan Bank: The fair value of these advances is estimated using the rates currently offered for similar advances of similar remaining maturities or, when available, quoted market prices.

Repurchase Agreements: The fair value of repurchase agreements is based on the discounted value of contractual cash flows using rates currently offered for similar maturities.

Subordinated debentures: The fair value of subordinated debentures is based on the discounted value of contractual cash flows using rates currently offered for smaller maturities.

Advances by Borrowers for Taxes and Insurance: The carrying amount of advances by borrowers for taxes and insurance is deemed to approximate fair value.

Commitments to Extend Credit: For fixed-rate and adjustable-rate loan commitments, the fair value estimate considers the difference between current levels of interest rates and committed rates. At March 31, 2010 and December 31, 2009, the fair value of loan commitments was not material.

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended March 31, 2010 and 2009

Based on the foregoing methods and assumptions, the carrying value and fair value of the Corporation s financial instruments are as follows:

	March 31, 2010		December 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
	(In thousands)			
Financial assets				
Cash and cash equivalents	$ 28,294	$ 28,294	$ 38,153	$ 38,153
Investment securities available for sale	47,880	47,880	55,950	55,950
Investment securities held to maturity	2,055	2,125	2,113	2,200
Loans held for sale	1,600	1,622	475	485
Loans receivable	683,945	664,695	659,022	646,990
Federal Home Loan Bank stock	29,888	29,888	29,888	29,888
Accrued interest receivable	3,858	3,858	3,979	3,979
Financial liabilities				
Deposits	$ 649,354	$ 636,799	$ 659,902	$ 647,149
Advances from the Federal Home Loan Bank	116,192	120,961	97,291	101,924
Repurchase agreements	9,051	9,051	6,941	6,941
Subordinated debentures	5,000	4,778	5,000	4,768
Advances by borrowers for taxes and insurance	1,040	1,040	1,909	1,909
Accrued interest payable	1,650	1,650	1,669	1,669

Listed below are three levels of inputs that Camco uses to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Level 1 inputs for assets or liabilities that are not actively traded. Also consists of an observable market price for a similar asset or liability. This includes the use of matrix pricing used to value debt securities absent the exclusive use of quoted prices.

Level 3: Consists of unobservable inputs that are used to measure fair value when observable market inputs are not available. This could include the use of internally developed models, financial forecasting, etc.

Fair value is defined as the price that would be received to sell an asset or transfer a liability between market participants at the balance sheet date. When possible, the Corporation looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Corporation looks to observable market data for similar assets and liabilities. However, certain assets and liabilities are not traded in observable markets and Camco must use other valuation methods to develop a fair value. The fair value of impaired loans is based on the fair value of the underlying collateral, which is estimated through third party appraisals or internal estimates of collateral values.

The following table presents financial assets and liabilities measured on a recurring basis:

		Fair Value Measurements at Reporting Date Using (in thousands)		
	March 31, 2010	Level 1	Level 2	Level 3

Securities available for sale	$ 47,880	$	$ 47,880	$

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month periods ended March 31, 2010 and 2009

The following table presents financial assets and liabilities measured on a non-recurring basis:

		Fair Value Measurements at Reporting Date Using			
(in thousands)	Balance @ March 31, 2010	Level 1	Level 2	Level 3	Change in fair value for the year ended
Impaired loans	$ 35,571			$ 35,571	$ 708
Real estate acquired through foreclosure	10,373			10,373	49
	Balance @ December 31, 2009				
Impaired loans	$ 25,982			$ 25,982	$ 13,081
Real estate acquired through foreclosure	9,660			9,660	945

Impaired loans, which are measured for impairment using the fair value of the collateral at March 31, 2010, had a carrying amount of $35.6 million, with a valuation allowance of $4.8 million, resulting in an additional provision for loan losses of $708,000 during the first quarter of 2010.

Loans held for sale are originated on forward commitment contracts and are reported at the lower of cost or fair value. All loans held for sale at March 31, 2010, are secured by liens on 1-4 family residential properties.

Mortgage servicing rights are recognized as separate assets when loans are sold with servicing retained. A pooling methodology to the servicing valuation, in which loans with similar characteristics are pooled together, is applied for valuation purposes. Once pooled, each grouping of loans is evaluated on a discounted earnings basis to determine the present value of future earnings that the bank could expect to realize from the portfolio. Earnings are projected from a variety of sources including loan service fees, interest earned on float, net interest earned on escrow balances, miscellaneous income and costs to service the loans. The present value of future earnings is the estimated fair value for the pool, calculated using consensus assumptions that a third party purchaser would utilize in evaluating a potential acquisition of the servicing.

Fair value for real estate acquired through foreclosure is determined by obtaining recent appraisals on the properties. The fair value under such appraisals is determined by using one of the following valuation techniques: income, cost or comparable sales. The fair value is then reduced by management s estimate for the direct costs expected to be incurred in order to sell the property. Holding costs or maintenance expenses are recorded as period costs when incurred and are not included in the fair value estimate.

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION
For the three-month periods ended March 31, 2010 and 2009

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operation

Forward Looking Statements

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and this report include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), as amended, which can be identified by the use of forward-looking terminology, such as may, might, could, would, believe, expect, intend, plan, seek, anticipate, estimate, project or continue or the negative thereof or comparable terminology. All statements other than statements of historical fact included in this document regarding our outlook, financial position and results of operation, liquidity, capital resources and interest rate sensitivity are forward-looking statements. These forward-looking statements also include, but are not limited to:

- anticipated changes in industry conditions created by state and federal legislation and regulations;
- anticipated changes in general interest rates and the impact of future interest rate changes on our profitability, capital adequacy and the fair value of our financial assets and liabilities;
- retention of our existing customer base and our ability to attract new customers;
- the development of new products and services and their success in the marketplace;
- the adequacy of the allowance for loan losses; and
- statements regarding our anticipated loan and deposit account growth, expense levels, liquidity and capital resources and projections of earnings.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are reasonable, we can give no assurance such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from those in the forward-looking statements included herein include, but are not limited to:

- competition in the industry and markets in which we operate;
- changes in general interest rates;
- rapid changes in technology affecting the financial services industry;
- changes in government regulation; and
- general economic and business conditions

This MD&A is intended to give stockholders a more comprehensive review of the issues facing management than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the consolidated financial statements and related footnotes and the selected financial data elsewhere in this annual report. As used herein and except as the context may otherwise require, references to Camco, the Corporation , we, us, or our means, collectively, Camco Financial Corporation and its wholly owned subsidiaries, Advantage Bank and Camco Title Agency.

Discussion of Financial Condition Changes from December 31, 2009 to March 31, 2010

At March 31, 2010, Camco s consolidated assets totaled $851.5 million, an increase of $8.8 million, or 1.0%, from December 31, 2009. The increase in total assets resulted primarily from increases in loans receivable which was offset partially by decreases in cash and cash equivalents and securities available for sale.

Cash and interest-bearing deposits in other financial institutions totaled $28.3 million at March 31, 2010, a decrease of $9.9 million, or 25.8%, from December 31, 2009. As noted in our annual report for fiscal year 2009, we have held our liquidity position while deploying excess cash into paying down borrowings. In the first quarter of 2010 cash was also used to fund increased loan growth.

As of March 31, 2010 securities totaled $49.9 million, a decrease of $8.1 million, or 14.0%, from December 31, 2009, due to principal repayments and maturities of $8.2 million offset partially by the increase in the fair value of securities available for sale of $100,000 for the three-month period ended March 31, 2010. There were no purchases during the quarter as rates continued to be low and because cash was deployed into higher yielding assets such as loans.

Loans receivable, including loans held for sale, totaled $685.5 million at March 31, 2010, an increase of $26.0 million, or 4.0%, from December 31, 2009. The increase resulted primarily from loan disbursements totaling $83.5 million offset partially by principal repayments of $42.8 million and loan sales of $12.2 million. The volume of loans originated for sale in the secondary market during the first three months of 2010 decreased compared to the fourth quarter of 2009 by $14.9 million, or 52.8%. In conjunction with decreased originations the volume of loan sales decreased by $13.8 million or 53.2% year to year. While we have seen some decrease in prepayments on residential mortgage loans, our ability to originate new residential mortgage loans has not been as strong as 2009. The reduction in residential real estate loan balances was intensified by the secondary market offering historically low long-term fixed rates during most of 2009, which resulted in significantly higher refinancing activity during that time period.

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Loan originations during the three-month period ended March 31, 2010, included $58.2 million of commercial loans, $20.4 million in loans secured by one- to four-family residential real estate and $4.9 million in consumer and other loans. Our intent is to continue to service our communities in 1-4 family residential, consumer and commercial real estate lending in future periods.

During the first quarter of 2010, we continued to execute our strategic plan to diversify the balance sheet by strategically working to increase our commercial and commercial real estate loan portfolios and improve our funding mix by reducing borrowings and increasing transaction-based deposits related to these commercial relationships.

Continued deterioration of the residential loan market in Ohio may result in a shift in the loan portfolio toward commercial and consumer loans. We have continued the strategy of transforming our balance sheet toward commercial and consumer loans and in 2009 we increased our monitoring process and expanded our leadership in the commercial lending and underwriting teams in order to expand our product offerings and improve the execution of our relationship lending within the markets in our footprint.

The following table details 30 89 days delinquent loans at:

	March 31, 2010 30 89 days delinquent	December 31, 2009 30 89 days delinquent
Residential	$ 2,805	$ 4,818
Multifamily	208	79
Non Residential	946	2,693
Construction / development	36	534
Commercial	251	92
HELOC and second mortgage	1,374	2,020
Consumer and other	79	77
Total	$ 5,699	$ 10,313

Delinquency from the 30-89 days decreased due to transition to non accrual status (3 or more payments overdue) in the first quarter of 2010 and is depicted in the schedule on page 17.

The allowance for loan losses totaled $15.8 million and $16.1 million at March 31, 2010, and December 31, 2009, representing 36.5% and 44.2% of nonperforming loans, respectively, at those dates. Nonperforming loans (loans with three payments or more delinquent plus nonaccrual loans) totaled $43.3 million and $36.4 million at March 31, 2010 and December 31, 2009, respectively, constituting 6.18% and 5.40% of total net loans, including loans held for sale, at those dates. First quarter 2010 provision for loan losses was impacted by continued write downs in loan values on existing impaired loans. Net charge-offs totaled $1.2 million for the first quarter of 2010.

Although we believe that the allowance for loan losses at March 31, 2010, is adequate to cover probable, incurred losses inherent in the loan portfolio at that date based upon the available facts and circumstances, there can be no assurance that additions to the allowance for loan losses will not be necessary in future periods, which could adversely affect our results of operations. Unemployment rates in our markets and Ohio in general, are higher than the national average, and bankruptcy and foreclosure filings in Ohio are high compared to the rest of the nation. Additionally, Ohio continues to experience declining values of residential real estate. However, Ohio in general has not experienced as significant increases in home values over the past five years as many regions in the U.S., which should comparatively mitigate losses on loans. Nonetheless, these factors, compounded by a very uncertain national

economic outlook, may increase the level of future losses beyond our current expectations.

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The following table sets forth information with respect to Advantage s nonaccrual and delinquent loans for the periods indicated.

	March 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
			(Dollars in thousands)		
Loans accounted for on nonaccrual basis:					
Real estate:					
Residential[1]	$ 21,287	$ 19,190	$ 20,616	$ 8,411	$ 9,618
Multi-family	2,430	2,341	3,139	871	4,682
Nonresidential	7,747	3,857	18,057	6,908	1,989
Construction	4,587	4,382	8,603	5,568	92
Commercial	3,297	515	1,393	455	398
Home equity lines of credit	2,624	2,415	1,549	925	750
Consumer and other	145	148	127	857	136
Total nonaccrual loans	42,117	32,848	53,484	23,995	17,665
Accruing loans delinquent three months or more					
Real estate:					
Residential			44	1,520	728
Multi-family	155				143
Nonresidential	192	2,853			
Construction	745	638			
Commercial	110	110			
Total loans 90 days past due and accruing	1,202	3,601	44	1,520	871
Total nonperforming loans	43,319	36,449	53,528	25,515	18,536
Other real estate owned	10,373	9,660	5,841	5,034	3,956
Total nonperforming assets	$ 53,692	$ 46,109	$ 59,369	$ 30,549	$ 22,492
Allowance for loan losses	$ 15,821	$ 16,099	$ 15,747	$ 6,623	$ 7,144
Nonperforming loans as a percent of total net loans [2]	6.18%	5.40%	6.91%	3.13%	2.23%
Nonperforming assets to total assets	6.16%	5.19%	5.93%	2.99%	2.15%
	36.5%	44.2%	29.4%	26.0%	38.5%

Allowances for loan losses as a percent of nonperforming loans			
Memo section:			
Troubled debt restructurings			
Loans and leases restructured and in compliance with modified terms	$ 17,894	$ 16,645	11,440
Loans and leases restructured and not in compliance with modified terms (included in nonaccrual)	$ 9,978	$ 4,783	12,882

(1) Includes loans secured by first and junior liens

(2) Includes loans held for sale.

Nonaccrual status denotes loans greater than three payments past due, loans for which, in the opinion of management, the collection of additional interest is unlikely, or loans that meet nonaccrual criteria as established by regulatory authorities. Payments received on a nonaccrual loan are either applied to the outstanding principal balance or recorded as interest income, depending on management s assessment of the collectability of the loan.

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The following table presents changes in Camco s allowance for loan losses:

March 31,	2010	2009
	(Dollars in thousands)	
Balance at beginning of year	$ 16,099	$ 15,268
Charge-offs:		
1-4 family residential real estate [(1)]	979	540
Multifamily real estate	47	1
Nonresidential real estate	218	
Other Construction and Land		
Consumer	8	6
Commercial	32	
Agriculture Loans		41
Overdraft Protection	2	3
Total charge-offs	1,286	591
Recoveries:		
1-4 family residential real estate [(1)]	60	51
Multifamily, real estate	27	
Nonresidential real estate	2	2
Other Construction and Land	2	
Consumer		2
Commercial	11	
Agriculture Loans		
Overdraft Protection	1	1
Total recoveries	103	56
Net (charge-offs) recoveries	1,182	535
Provision for losses on loans	905	648
Balance at end of period	$ 15,821	$ 15,860

(1) Includes home equity lines of credit

At March 31, 2010, the Corporation s real estate owned (REO) consisted of 127 repossessed properties with a net book value of $10.4 million. Initial loss is recorded as a charge to the allowance for loan losses. Thereafter, if there is a further deterioration in value, a specific valuation allowance is established and charged to operations. The Corporation reflects costs to carry REO as period costs in operations when incurred. When property is acquired through foreclosure or deed in lieu of foreclosure, it is initially recorded at the fair value of the related assets at the date of foreclosure, less estimated costs to sell the property.

The Corporation works with borrowers to avoid foreclosure if possible. Furthermore, if it becomes inevitable that a borrower will not be able to retain ownership of their property, the Corporation often seeks a deed in lieu of foreclosure in order to gain control of the property earlier in the recovery process. As a result, real estate owned grew $713,000 during the three months of 2010. The strategy of pursuing deeds in lieu of foreclosure more aggressively should result in a reduction in the holding period for nonperforming assets and ultimately reduce economic losses.

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Deposits totaled $649.4 million at March 31, 2010 a decrease of $10.5 million, or 1.6%, from the total at December 31, 2009. The following table details our deposit portfolio balances and the average rate paid on our deposit portfolio at March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009		Change	
	Balance	Rate	Balance	Rate	Balance	Rate
Noninterest-bearing demand	38,980	0.00%	38,911	0.00%	69	0.00%
Interest-bearing demand	64,841	0.32	70,564	0.43	(5,723)	(0.10)
Money market	94,595	0.68	96,172	0.68	(1,577)	0.00
Savings	38,604	0.25	36,638	0.25	1,966	0.00
Certificates of deposit retail	391,373	2.51	385,622	2.70	5,751	(0.19)
Certificates of deposit brokered	20,961	3.35	31,995	3.19	(11,034)	0.16
Total deposits	649,354	1.76%	659,902	1.89%	(10,548)	(0.13)

The decrease in certificates of deposits, interest-bearing demand and money market accounts was primarily due to decreases in public funds and brokered deposits. We continue to focus and implement our strategy of improving the long-term funding mix of the Bank s deposit portfolio by developing core relationships with small businesses, and adding commercial and retail checking accounts. In 2009 we implemented a number of organizational and product development initiatives including a new suite of commercial and small business checking accounts, enhancements to our online business cash management system, and the launch of remote deposit capture solution. We believe these products will continue to help us be more competitive for business checking accounts.

We anticipate continued pay down of brokered deposits throughout 2010, this will help to maintain the Bank s margin and by growing core deposits we will improve the long-term funding mix of the Bank s deposit portfolio by aggregating small business, commercial and retail checking accounts.

Effective January 1, 2010 interest rates paid by Advantage on deposits became subject to limitations as a result of a consent order Advantage entered into with the FDIC and Ohio Division of Financial Institutions in July 2009 (Consent Order). Deposits solicited by the Bank cannot significantly exceed the prevailing rates in our market areas. The FDIC has implemented by regulation the statutory language significantly exceeds as meaning more than 75 basis points. Although the rule became effective January 1, 2010, Advantage has utilized these standards since mid year 2009.

Advances from the FHLB and other borrowings totaled $130.2 million at March 31, 2010, an increase of $21.0 million, or 19.2%, from the total at December 31, 2009. The increase in borrowings was primarily due to the increase in our commercial loan portfolio coupled with the decision to extend some borrowings during this lower rate environment.

Stockholders equity totaled $60.9 million at March 31, 2010, an increase of $366,000, or .6%, from December 31, 2009. The increase resulted primarily from net earnings of $129,000, and falling interest rates improved the fair value of our investments securities, which resulted in an increase in unrealized gains on available for sale securities, net of tax, of $68,000.

Comparison of Results of Operations for the Three Months Ended March 31, 2010 and 2009

Camco s net earnings for the three months ended March 31, 2010, totaled $129,000, a decrease of $106,000, from the net earnings of $235,000 reported in the comparable 2009 period. On a per share basis, the net earnings during the first quarter of 2010 were $.02, compared to $.03 per share in the first quarter of 2009. The decrease in earnings was primarily attributable to decreased other income and a decreased tax benefit.

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Net Interest Income

Net interest income totaled $6.3 million for the three months ended March 31, 2010, an increase of $411,000, or 7.0%, compared to the three-month period ended March 31, 2009, generally reflecting the effects of a $118.1 million decrease in the average balance of interest bearing liabilities coupled with the average cost of funding decreasing by 68 basis points year to year. Net interest margin increased to 3.25% in the first quarter of 2010 compared to 2.62% in the first quarter of 2009.

The following table presents for the periods indicated the total dollar amount of interest income from average interest-earning assets and the resulting yields, and the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. The table does not reflect any effect of income taxes. Balances are based on the average of month-end balances which, in the opinion of management, do not differ materially from daily balances.

		2010			2009	
Three Months Ended March 31, (Dollars in thousands)	**Average outstanding balance**	**Interest earned / paid**	**Average yield/ rate**	**Average outstanding balance**	**Interest earned / paid**	**Average yield/ rate**
Interest-earning assets:						
Loans receivable [1]	$ 657,081	$ 9,280	5.65%	$ 704,211	$ 10,567	6.00%
Securities	55,294	578	4.18%	94,220	975	4.14%
FHLB stock	29,888	339	4.54%	29,888	338	4.52%
Other Interest-bearing accounts	26,726	1	.01%	64,493	7	0.04%
Total interest-earning assets	768,989	10,198	5.30%	892,812	11,887	5.33%
Noninterest-earning assets [2]	115,965			92,221		
Total average assets	**$ 853,024**			**$ 985,033**		
Interest-bearing liabilities:						
Deposits	612,881	2,945	1.92%	685,870	4,473	2.61%
FHLB advances and other	124,617	997	3.20%	169,723	1,569	3.70%
Total interest-bearing liabilities	737,498	3,942	2.14%	855,593	6,042	2.82%
Noninterest-bearing deposits	40,192			38,064		
Noninterest-bearing liabilities	14,670			19,447		
Total average liabilities	792,360			913,104		
Total average shareholders equity	60,664			71,929		
Total liabilities and shareholders equity	**$ 853,024**			**$ 985,033**		

Net interest income/Interest rate spread	$ 6,256	3.16%	$ 5,845	2.51%
Net interest margin [3]		3.25%		2.62%
Average interest-earning assets to average interest-bearing liabilities		104.27%		107.88%

(1) Includes loans held for sale. Loan fees are immaterial.

(2) Includes nonaccrual loans, mortgage servicing rights and allowance for loan losses

(3) Net interest income as a percent of average interest-earning assets

Interest income on loans totaled $9.3 million for the three months ended March 31, 2010, a decrease of $1.3 million, or 12.2%, from the comparable 2009 period. The decrease resulted primarily from a decrease in the average balance outstanding of $47.1 million, or 6.7% decrease in 2010 compared to the first quarter of 2009. A 3 basis point decrease in the average yield in the 2010 period also negatively impacted interest income on loans.

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Interest income on securities totaled $578,000 for the three months ended March 31, 2010, a decrease of $397,000, or 40.7%, from the first quarter of 2009. The decrease was due primarily to a $38.9 million decrease in the average balance offset partially by a 4 basis point increase in the average yield, to 4.18% for the 2010 period.

Dividend income on FHLB stock increased by $1,000, or .3%, due primarily to a 2 basis point increase in the average yield, to 4.54% in 2010. Interest income on other interest bearing accounts continues to be low due to higher balances needed to compensate for charges at correspondent banks leaving less balance for interest calculation coupled with decreased rates. We have decreased our cash on hand balances deploying cash when available to by paying down advances, borrowings and higher cost brokered deposits in order to generate additional income. *See* Liquidity and Capital Resources for more information.

Interest expense on deposits totaled $2.9 million for the three months ended March 31, 2010, a decrease of $1.5 million, or 34.2%, compared to the same quarter in 2009 due primarily to a 69 basis point decrease in the average cost of deposits to 1.92% in the current quarter, coupled with a $73.0 million, or 10.6%, decrease in average interest bearing deposits outstanding. While the cost of deposits was lower in the first quarter of 2010 compared to the first quarter of 2009, the cost in 2010 is expected to stabilize as rates have been at low levels for quite some time. However, the interest-bearing deposit portfolio continues to re-price certificates of deposit in 2010, which should decrease costs slightly if rates continue to be at the current low levels. Although, competitive pressures may limit our ability to reduce interest rates paid on deposits.

Interest expense on borrowings totaled $1.0 million for the three months ended March 31, 2010 a decrease of $572,000, or 36.5%, from the same 2009 three-month period. The decrease resulted primarily from a $45.1 million, or 26.6%, decrease in the average borrowings outstanding coupled with a 50 basis point decrease in the average cost of borrowings to 3.20%.

Provision for Losses on Loans

A provision for losses on loans is charged to earnings to bring the total allowance for loan losses to a level considered appropriate by management based on historical experience, the volume and type of lending conducted by the Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Bank s market areas, and other factors related to the collectability of the Bank s loan portfolio.

Camco s loan quality has been negatively impacted by worsening conditions within our market areas which has caused declines in real estate values and deterioration in the financial condition of some of our borrowers. These conditions have led Camco to downgrade the loan quality ratings on various loans through our loan review process. In addition, some of our loans became under-collateralized due to reductions in the estimated net realizable fair value of the underlying collateral. As a result, Camco s provision for loan losses, net charge-offs and nonperforming loans in 2008, 2009 and the first quarter of 2010 were significantly higher than historical levels.

Camco s net loan charge-offs and provision for loan losses in recent quarters has been impacted by ongoing workout efforts on existing impaired loans. The efforts have included negotiating reduced payoffs and the sale of underlying collateral or short sales coupled with charging down values to net realizable or fair value of the underlying collateral. Management believes these actions are prudent during the current economic environment.

Based upon an analysis of these factors, the continued economic outlook and new production we increased the provision for losses on loans by $905,000 for the three months ended March 31, 2010, compared to $648,000 for the same period in 2009. We believe our loans are adequately reserved for probable losses inherent in our loan portfolio at March 31, 2010. However, there can be no assurance that the loan loss allowance will be adequate to absorb losses.

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We have included the following information with respect to impairment measurements relating to collateral-dependent loans for better understanding of our process and procedures relating to fair value of financial instruments:

The percentage of impaired loans on which we relied on a current third party appraisal for valuation exceeded 90% as of December 31, 2009.

Based on policy, a loan is typically deemed impaired (nonperforming) once it has gone over 90 days delinquent. Our management of the troubled credit will vary as will the timing of valuations, loan loss provision and charge offs based on a multitude of factors such as, cash flow of the business/borrower, responsiveness of the borrower, communication with the commercial banker, property inspections, property deterioration, and delinquency.

Typically, a nonperforming, non-homogeneous collateral dependent loan will be valued and adjusted (if needed) within a 90 day period after determination of impairment. If impaired, the collateral is then evaluated and an updated appraisal is most typically ordered. Upon receipt of an appraisal or other valuation, we complete an analysis to determine if the impaired loan requires a specific reserve. The time frame may be as short as 30 days or as much as 180 days when an appraisal is ordered.

Camco s credit risk management process consistently monitors key performance metrics across both the performing and non performing assets to identify any further degradation of credit quality. Additionally, impaired credits are monitored in weekly loan committee asset quality discussions, monthly Asset Classification Committee meetings and quarterly loan loss reserve reviews. Strategy documents and exposure projections are completed on a monthly basis to ensure that the current status of the troubled asset is clearly understood and reported.

The Asset Classification Committee oversees the management of all impaired loans and any subsequent loss provision or chargeoff that is considered. When a loan is deemed impaired, the valuation is obtained to determine any existing loss that may be present as of the valuation date. Policy dictates that any differences from fair market value, less costs to sell, are to be recognized as loss during the current period (loan loss provision or chargeoff). Any deviations from this policy will be identified by amount and contributing reasons for the policy departure during our quarterly reporting process.

Camco s policies dictate that an impaired loan subject to partial chargeoff will remain in a nonperforming status until it is brought current. Typically, this occurs when a loan is paid current and completes a period on on-time payments that demonstrate that the loan can perform. Camco monitors through various system reports any loan whose terms have been modified. These reports identify troubled debt restructures, modification, and renewals.

When circumstances do not allow for updated collateral or Camco determines that an appraisal is not needed, the underlying collateral s fair market value is estimated in the following ways:

- Camco personnel property inspections combined with original appraisal review
- Auditor values
- Broker price opinions
- Various on-line fair market value estimations programs (i.e. Freddie Mac, Fannie Mae, Zillow, etc).

Other Income

Other income totaled $1.7 million for the three months ended March 31, 2010 a decrease of $245,000, or 12.5%, from the comparable 2009 period. The decrease in other income was primarily attributable to a $140,000 decrease gain on sale, a $30,000 decrease in mortgages servicing rights and a $52,000 decrease in late charges rent and other.

The decreases in gain on sale and the valuation of mortgage servicing rights were primarily due to decreased sales of $13.8 million from the comparable period in 2009. The decrease in late charges, rent and other was due to decreased revenue earned at our title agency.

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General, Administrative and Other Expense

General, administrative and other expense totaled $6.9 million for the three months ended March 31, 2010 a decrease of $61,000 or .9%, from the comparable period in 2009. The decrease in general, administrative and other expense was due to decreases in employee compensation and benefits and advertising of $91,000 each, a $67,000 decrease in postage supplies and office expenses, an $81,000 decrease in transaction processing. The decreases were partially offset by increases of $145,000 in real estate owned and other expense and $131,000 in professional services.

The decrease in general, administrative and other expense was due to reduction in work force that took place in April of 2009, which has decreased employee compensation, employee benefits, payroll taxes and 401k match which was offset partially by deferred compensation decreasing quarter to quarter.

The decrease in advertising, postage supplies and office expenses was primarily due to 2009 the need to incur additional expenses because of the termination of the merger. The termination required additional re-advertising of our branches and brand, re-ordering pre-printed materials and supplies to regular inventory levels. The decrease in transaction processing is related to decreased volume of ATM and transactions related to customer accounts.

The increase in real estate owned and other expenses and professional services is reflective of the increased real estate owned portfolio and expenses related to ownership such as real estate taxes, and upkeep of properties. These expenses were coupled with the falling real estate values that negatively impact our portfolio value and caused a write down to fair market value.

The increase in professional services is reflective of additional expenses related to classified assets and the legal aspects related to collection efforts or litigation.

Federal Income Taxes

The provision for federal income taxes totaled ($2,000) for the three months ended March 31, 2010. Tax credits related to our investment in affordable housing partnerships totaled $99,000 in 2010, additional the tax-exempt character of earnings on bank-owned life insurance supplements the difference between the effective rate of tax benefits and the statutory corporate tax rate for the period.

Liquidity and Capital Resources

Liquidity is the Corporation s ability to generate adequate cash flows to meet the demands of its customers and provide adequate flexibility for the Corporation to take advantage of market opportunities. Cash is used to fund loans, purchase investments, fund the maturity of liabilities, and at times to fund deposit outflows and operating activities. The Corporation s principal sources of funds are deposits; amortization, prepayments and sales of loans; maturities, sales and principal receipts from securities; borrowings; and operations. Managing liquidity entails balancing the need for cash or the ability to borrow against the objectives of maximizing profitability and minimizing interest rate risk. The most liquid types of assets typically carry the lowest yields.

Camco is a single bank holding company and its primary ongoing source of liquidity is from dividends received from the Bank. Such dividends arise from the cash flow and earnings of the Bank. Ohio statutes impose certain limitations on the payment of dividends and other capital distributions by banks. Generally, absent approval of the Ohio Division, such statutes limit dividend and capital distributions to earnings of the current and two preceding years. Currently, the Consent Order prohibits the Bank from paying a dividend to Camco without prior approval of the FDIC and Ohio Division. Camco currently has $5.0 million outstanding trust preferred securities with a maturity date of 2037. If needed, Camco s agreement regarding these securities provides for a deferment of interest payment for up to 20 consecutive quarters without default. Based on notification received from the FRB on April 30, 2009, Camco was required to exercise this provision to defer interest payments and has deferred a total of four quarters as of March 31, 2010. If the Corporation desires to raise funds in the future, it may consider engaging in further offerings of preferred securities, debentures or other borrowings as well as issuance of capital stock, but any such strategic decisions would require regulatory approval. Further, as a result of entering into a Memorandum of Understanding with the FRB on March 4, 2009 (*see below*), we are prohibited from paying dividends to our stockholders without first obtaining the

approval of the FRB. Our ability to pay dividends to stockholders is dependent on our net earnings. A continued decline in earnings increases in loan losses, or higher regulatory capital reserve requirements may jeopardize our ability to pay dividends at historical levels.

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The objective of the Bank s liquidity management is to maintain ample cash flows to meet obligations for depositor withdrawals, fund the borrowing needs of loan customers, and to fund ongoing operations. Core relationship deposits are the primary source of the Bank s liquidity. As such, the Bank focuses on deposit relationships with local business and consumer clients with a strategy to increase the number of services/products per client. The Corporation views such deposits as the foundation of its long-term liquidity because it believes such core deposits are more stable and less sensitive to changing interest rates and other economic factors compared to large time deposits or wholesale purchased funds.

We monitor and assess liquidity needs daily in order to meet deposit withdrawals, loan commitments and expenses. Camco s liquidity contingency funding plan identifies liquidity thresholds and red flags that may evidence liquidity concerns or future crises. The contingency plan details specific actions to be taken by management and the Board of Directors. It also identifies sources of emergency liquidity, both asset and liability-based, should we encounter a liquidity crisis. In conjunction with the Corporation s asset/liability and interest rate risk management activities, we actively monitor liquidity risk and analyze various scenarios that could impact or impair Camco s ability to access emergency funding during a liquidity crisis.

Liquid assets consist of cash and interest-bearing deposits in other financial institutions, investments and mortgage-backed securities. Approximately $9.5 million, or 19.9%, of our investment portfolio is expected to mature or prepay during 2010. While these maturities could provide a significant source of liquidity in the short term, public unit deposits and repurchase agreements limit our ability to use these funds freely due to the collateral requirements of such. State and local political subdivision deposits equaled $16.3 million at March 31, 2010, and $22.2 million at December 31, 2009. We may implement additional product strategies to lessen this restriction on our investment portfolio to increase our liquidity options.

Additional sources of liquidity include deposits, borrowings and principal and interest repayments on loans. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan and security prepayments are more influenced by interest rates, general economic conditions, and competition and are difficult to predict.

Diversified and reliable sources of wholesale funds are utilized to augment core deposit funding. Borrowings may be used on a long or short-term basis to compensate for reduction in other sources of funds or on a long term basis to support lending activities. The Bank utilizes its investment securities, certain loans and FHLB stock to provide collateral to support its borrowing needs. Management believes that its focus on core relationship deposits coupled with access to borrowing through reliable counterparties provides reasonable and prudent assurance that ample liquidity is available. However, depositor or counterparty behavior could change in response to competition, economic or market situations or other unforeseen circumstances, which could have liquidity implications that may require different strategic or operational actions. One source of wholesale funding (pending regulatory approval) is brokered deposits. Consistent with its risk management policy and in response to the general tightening of credit and liquidity conditions in the financial markets at large, the Bank has utilized brokered deposits. At March 31, 2010, such deposits totaled approximately $21.2 million, exclusive of CDARS deposits.

Approximately $221.7 million of the Corporation s certificate of deposit portfolio is scheduled to mature during 2010. Depositors continue a preference toward short-term certificates or other issuances less than 18 months. This places additional liquidity pressure on the Corporation as competition for deposits is very strong in Ohio, Kentucky and West Virginia. A material loss of these short-term deposits could force us to seek funding through contingency sources, which may negatively impact earnings.

FHLB advances are another funding source. In the past, Camco has depended heavily on borrowings to fund balance sheet growth. While significant strategic and tactical focus is currently being placed on deposit growth, borrowings and additional borrowing capacity at the FHLB are still vital sources of liquidity and growth funding. However, our total borrowing capacity at the FHLB is dependent on the level of eligible collateral assets held by the Bank and the

Bank s credit rating with the FHLB. Our total borrowing capacity with the FHLB decreased to $148.9 million at March 31, 2010, from $167.0 million at December 31, 2009. This capacity has continued to decrease as our one to four- family loan portfolio, the primary collateral for FHLB borrowings, has shrunk and the increase in nonperforming loans has reduced our credit rating (and thereby increased its collateral requirements). The inability of the Bank to access contingency funding from the FHLB may significantly limit our growth and negatively affect earnings. We have improved on-balance-sheet liquidity and in response to higher collateral maintenance requirements and decreases in our overall borrowing capacity.

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION
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We plan to continue to monitor our funding sources through brokered deposits and FHLB borrowings, but recognize that our current credit risk profile may restrict these sources. Our Funds Management Group will monitor the deposit rates in our markets to allow for competitive pricing in order to raise funds through deposits. Funds in excess of loan demand and available borrowing repayments will be held in short-term investments or federal funds sold. We are taking these actions to proactively prepare for the possibility of continued deterioration in the credit markets and increases in our nonperforming loans, which may reduce our borrowing capacity at the FHLB further.

The following table sets forth information regarding the Bank s obligations and commitments to make future payments under contract as of March 31, 2010.

	Payments due by period				
	Less than 1 year	**1 3 Years**	**3 5 years**	**More than 5 years**	**Total**
			(In thousands)		
Contractual obligations:					
Operating lease obligations	$ 291	$ 510	$ 353	$ 119	$ 1,273
Advances from the FHLB	26,000	48,000	15,483	26,709	116,192
Repurchase agreements	9,051				9,051
Certificates of deposit	247,465	130,197	34,671		412,333
Subordinated debentures [(1)]				5,000	5,000
Ohio equity funds for housing	781	205	289	137	1,412
Amount of commitments expiring per period:					
Commitments to originate loans:					
Revolving open-end lines secured by 1-4	$ 51,399	$	$	$	$ 51,399
Not secured by real estate	7,293				7,293
One- to four-family construction loan	5,937				5,937
Commercial real estate, other construction loan and land development	10,893				10,893
Commercial and industrial and other unused commitments	11,033				11,033
Letters of credit	397				397
Total contractual obligations	**$ 370,540**	**$ 178,912**	**$ 50,796**	**$ 31,965**	**$ 632,213**

(1) The subordinated debentures are redeemable, at Camco s option.

The debentures mature on September 15, 2037.

We anticipate that we will have sufficient funds available to meet our current loan commitments. Based upon historical deposit flow data, the Bank s competitive pricing in its market and management s experience, we believe that a significant portion of our maturing certificates of deposit in 2010 will remain with the Bank, but recognize the significance of the risks discussed above.

Liquidity management is both a daily and long-term management process. In the event that we should require funds beyond our ability to generate them internally, additional funds are available through the use of FHLB advances, internet deposits, and through the sales of loans or securities.

Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION
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Camco and Advantage are required to maintain minimum regulatory capital pursuant to federal regulations. At March 31, 2010, both companies exceeded all minimum regulatory capital requirements to be considered well-capitalized. The following tables present certain information regarding compliance by Camco and Advantage with applicable regulatory capital requirements at March 31, 2010:

	Actual		For capital Adequacy purposes		To be well-capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
Total capital to risk-weighted assets:						
Camco Financial Corporation	$ 72,575	11.09%	≥$52,368	≥ 8.0%	≥$65,460	10.0%
Advantage Bank	$ 67,915	10.40%	≥$52,252	≥ 8.0%	≥$65,314	10.0%
Tier I capital to risk-weighted assets:						
Camco Financial Corporation	$ 64,317	9.83%	≥$26,184	≥ 4.0%	≥$39,276	6.0%
Advantage Bank	$ 59,657	9.13%	≥$26,126	≥ 4.0%	≥$39,188	6.0%
Tier I leverage to average assets:						
Camco Financial Corporation	$ 64,317	7.46%	≥$34,488	≥ 4.0%	≥$43,110	5.0%
Advantage Bank	$ 59,657	6.95%	≥$34,320	≥ 4.0%	≥$42,900	5.0%

Federal law prohibits a financial institution from making a capital distribution to anyone or paying management fees to any person having control of the institution if, after such distribution or payment, the institution would be undercapitalized. Additionally, the payment of dividends by Advantage Bank to its parent and by Camco Financial Corporation to shareholders is subject to restriction by regulatory agencies. These restrictions normally limit dividends from the Bank to the sum of the Bank s current and prior two years earnings, as defined by the agencies.

On March 4, 2009, Camco entered into a Memorandum of Understanding (the MOU) with the FRB The MOU prohibits Camco from engaging in certain activities while the MOU is in effect, including, without the prior written approval of the FRB, (1) the declaration or payment of dividends to stockholders or (2) the repurchase of Camco s stock.

On April 30, 2009, Camco was notified by The FRB that it had conducted a surveillance review as of December 31, 2008. Based on that review, the FRB notified Camco that it must (i) eliminate shareholder dividends and (ii) defer interest payments on its 30-year junior subordinated deferrable interest notes that were issued to its wholly-owned subsidiary, Camco Statutory Trust I, in its trust preferred financing that was completed in July 2007. These prohibitions were memorialized in a written agreement with the FRB on August 5, 2009. Camco and Camco Statutory Trust I, are permitted to defer interest and dividend payments, respectively, for up to five consecutive years without resulting in a default. Camco may not resume these dividend or interest payments until it receives approval from the FRB.

As a result of the surveillance review, Camco entered into a Written Agreement (the Camco Agreement) with the FRB on August 5, 2009. The Camco Agreement memorializes the requirements imposed on April 30, 2009 and requires Camco to obtain FRB approval prior to: (i) declaring or paying any dividends; (ii) receiving dividends or any other

form of payment representing a reduction in capital from Advantage; (iii) making any distributions of interest, principal or other sums on subordinated debentures or trust preferred securities; (iv) incurring, increasing or guaranteeing any debt; or (v) repurchasing any Camco stock.

Advantage entered into the Consent Agreement with the FDIC and the State of Ohio, Division of Financial Institutions (Ohio Division) that provided for the issuance of an order by the FDIC and the Ohio Division, which order was executed by the FDIC and Ohio Division on July 31, 2009 (the Bank Agreement). The Consent Agreement requires Advantage to, among other things, (i) increase its Tier 1 risk based capital to 8%; and (ii)seek regulatory approval prior to declaring or paying any cash dividend. As a result of the Consent Agreement, Advantage is disqualified as a public depository under Ohio law and will incur higher premiums for FDIC insurance of its accounts.

A material failure to comply with the provisions of either agreement could result in additional enforcement actions by the FDIC, the Ohio Division or the FRB.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The objective of our interest rate risk management function is to maintain consistent growth in net interest income within the Board s policy limits through management of balance sheet composition, liquidity, and interest rate risk exposures arising from changing economic conditions, interest rates and customer preferences.

The goal of liquidity management is to provide adequate funds to meet changes in loan demand or unexpected deposit withdrawals. This is accomplished by maintaining liquid assets in the form of investment securities, maintaining sufficient unused borrowing capacity and achieving consistent growth in core deposits. See Liquidity and Capital Resources for additional discussion on liquidity.

We consider interest rate risk to be Camco s most significant market risk. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. Consistency of Camco s net interest income is largely dependent upon the effective management of interest rate risk.

To identify and manage interest rate risk, we employ an earnings simulation model to analyze net interest income sensitivity to changing interest rates. The model is based on estimated cash flows and re-pricing characteristics and incorporates market-based assumptions regarding the effect of changing interest rates on the prepayment rates of certain assets and liabilities. The model also includes projections for activity levels in each of the product lines offered. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. Assumptions are inherently uncertain and the measurement of net interest income or the impact of rate fluctuations on net interest income cannot be precisely predicted. Actual results may differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

The Bank s Asset/Liability Management Committee (ALCO), which includes senior management representatives and reports to the Bank s Board of Directors, monitors and manages interest rate risk within Board-approved policy limits. The interest rate risk position of Camco presented below is determined by measuring the anticipated change in net interest income over a twelve month horizon assuming an instantaneous and parallel shift (linear) increase or decrease in all interest rates. The ALCO also monitors the sensitivity of the Bank s economic value of equity (EVE) due to sudden and sustained changes in market rates. The ALCO monitors the change in EVE on a percentage change basis.

Item 4: Controls and Procedures

Camco s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of Camco s disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of March 31, 2010. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Camco s disclosure controls and procedures are effective.

In the 1st quarter of 2010, Camco took the following remedial actions to correct the deficiency in internal control that was considered to be a material weakness at December 31, 2009:

The Company included the following process during review and calculation of the loan loss allowance:

- Established an interdepartmental committee, which is a subgroup of the Asset Classification Committee, amongst credit administration, enterprise risk management and finance department to review the overall loan loss provision process by assessing the historical risk factors, the recent trends, and economic forecasts, as appropriate. This enhanced collaborative process will help identify trends that should be recognized in the overall loan loss provision process while permitting the use of professional judgment necessary to interpret the complex data. The jointly compiled loan loss provision will be reported to and approved by the executive management including the CEO and the Board of Directors on a quarterly basis.

- Performed more frequent loan loss provision analysis than current quarterly analysis until otherwise decided in the future. Complete analysis as of the month-end prior to the quarter-end will be performed and reviewed by the aforementioned committee.

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Management believes that the improvements in our internal control processes as designed will be adequate to remediate the material weakness. However, we will not consider the material weakness to be remediated until the new processes operate for a sufficient period of time, and we are confident that they are operating effectively.

PART II

ITEM 1. Legal Proceedings

Not applicable.

ITEM 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in the Corporation s form 10-K for the year ended December 31, 2009. The risk factors described in the Annual Report on Form 10-K are not the only risks facing the Corporation. Additional risks and uncertainties not currently known to the Corporation or that management currently deems to be immaterial also may materially adversely affect the Corporation s business, financial condition and / or operating results. Moreover, the Corporation undertakes no obligation and disclaims any intention to publish revised information or updates to forward looking statements contained in such risk factors or in any other statement made ay any time by the Corporation or any of its directors, officers, employees or other representatives, unless and until any such revisions or updates are expressly required to be disclosed by securities laws or regulations.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable

(b) Not applicable

(c) Not applicable

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. (Removed and Reserved)

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits

Exhibit 31(i)	Section 302 certification by Chief Executive Officer
Exhibit 31(ii)	Section 302 Certification by Chief Financial Officer
Exhibit 32(i)	Section 1350 certification by Chief Executive Officer
Exhibit 32(ii)	Section 1350 certification by Chief Financial Officer

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 17, 2010	By: /s/ James E. Huston James E. Huston Chief Executive Officer
Date: May 17, 2010	By: /s/ James E. Brooks James E. Brooks Chief Financial Officer