CAMCO FINANCIAL CORP
Form 10-K
March 31, 2010

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

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

For the fiscal year ended December 31, 2009

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
(Address of principal executive offices) (Zip Code)
Registrant s telephone number, including area code: (740) 435-2020
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $1 par value per share	NASDAQ Global Market
(Title of Each Class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the issuer (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 (1) 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 o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 o	Accelerated Filer o	Non-Accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the last sale reported as of June 30, 2009, was $16.8 million. There were 7,205,595 shares of the registrant s common stock outstanding on March 26, 2010.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of Form 10-K: Portions of the Proxy Statement for the 2010 Annual Meeting of Stockholders

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PART I

Item 1. Business.

General

Camco Financial Corporation (Camco or the Corporation) is a financial services holding company that was organized under Delaware law in 1970. Camco is engaged in the financial services business in Ohio, Kentucky and West Virginia, through its wholly-owned subsidiaries, Advantage Bank and Camco Title Agency, Inc. In June 2001, Camco completed a reorganization in which it combined its banking activities under one Ohio savings bank charter known as Advantage Bank (Advantage or the Bank). Prior to the reorganization, Camco operated five separate banking subsidiaries serving distinct geographic areas. The branch office groups in each of the regions previously served by the subsidiary banks, except for the Bank s Ashland, Kentucky, division, which was sold in 2004, now operate as regions of Advantage. In 2003, Camco dissolved its second tier subsidiary, Camco Mortgage Corporation, and converted its offices into branch offices of the Bank. In August 2004, Camco completed a business combination with London Financial Corporation of London, Ohio, and its wholly-owned subsidiary, The Citizens Bank of London. The acquisition was accounted for using the purchase method of accounting and, therefore, the financial statements for prior periods have not been restated. At the time of the merger, Advantage Bank merged into The Citizens Bank of London and changed the name of the resulting institution to Advantage Bank. As a result, Camco s subsidiary financial institution is now an Ohio-chartered commercial bank. Further, Camco converted from a regulated thrift holding company to a Federal Reserve Board financial services holding company.

Advantage is primarily regulated by the State of Ohio Department of Commerce, Division of Financial Institutions (the Division), and the Federal Deposit Insurance Corporation (the FDIC). Advantage is a member of the Federal Home Loan Bank (the FHLB) of Cincinnati, and its deposit accounts are insured up to applicable limits by the Deposit Insurance Fund (the DIF) administered by the FDIC. Camco is regulated by the Federal Reserve Board.

Advantage s lending activities include the origination of commercial real estate and business loans, consumer loans, and residential conventional fixed-rate and variable-rate mortgage loans for the acquisition, construction or refinancing of single-family homes located in Camco s primary market areas. Camco also originates construction and permanent mortgage loans on condominiums, two- to four-family, multi-family (over four units) and nonresidential properties. Camco continues to diversify the balance sheet through increasing commercial, commercial real estate, and consumer loan portfolios as well as retail and business checking and money market deposit accounts.

The financial statements for Camco and its subsidiaries are prepared on a consolidated basis. The principal source of revenue for Camco on an unconsolidated basis has historically been dividends from the Bank. Payment of dividends to Camco by the Bank is subject to various regulatory restrictions and tax considerations.

References in this report to various aspects of the business, operations and financial condition of Camco may be limited to Advantage, as the context requires.

Camco s Internet site, http://www.camcofinancial.com, provides Camco s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 free of charge as soon as reasonably practicable after Camco has filed the report with the Securities and Exchange Commission.

Lending Activities

General. Camco s lending activities include the origination of commercial real estate and business loans, consumer loans, and conventional fixed-rate and adjustable-rate mortgage loans for the construction, acquisition or refinancing of single-family residential homes located in Advantage s primary market areas. Construction and permanent mortgage loans on condominiums, multifamily (over four units) and nonresidential properties are also offered by Camco.

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Loan Portfolio Composition. The following table presents certain information regarding the composition of Camco s loan portfolio at the dates indicated:

	At December 31,									
	2009		2008		2007		2006		2005	
	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans	Amount	Percent of Total Loans
	(Dollars in thousands)									
Type of loan:										
Residential properties	$ 332,323	50.4%	$ 402,736	53.2%	$ 435,431	53.6%	$ 474,110	58.0%	$ 474,401	56.5%
Multi-family	39,027	5.9	38,633	5.1	40,589	5.0	43,392	5.3	51,475	6.1
Nonresidential real estate	124,245	18.8	129,334	17.1	126,437	15.6	105,577	12.9	105,380	12.5
Construction	16,384	2.5	31,097	4.1	45,677	5.6	42,654	5.2	64,601	7.7
Commercial & development	36,392	5.5	40,616	5.4	41,551	5.1	35,287	4.3	20,958	2.5
Home equity lines of credit	109,163	16.6	125,442	16.6	121,619	15.0	116,436	14.2	108,086	12.9
Consumer & other loans	17,743	2.7	4,176	.6	7,255	.9	7,851	1.0	22,114	2.6
Total	$ 675,277	102.4	$ 772,034	102.1	$ 818,559	100.8	$ 825,307	100.9	$ 847,015	100.8
Less:										
Unamortized yield adjustments	(156)	(0.0)	354	0.0	166	(0.0)	(8)	(0.0)	(266)	(0.0)
Allowance for loan losses	(16,099)	(2.4)	(15,747)	(2.1)	(6,623)	(0.8)	(7,144)	(0.9)	(6,959)	(0.8)
Total loans, net	$ 659,022	100.0%	$ 756,641	100.0%	$ 812,102	100.0%	$ 818,154	100.0%	$ 839,790	100.0%

Loan Maturity Schedule. The following table sets forth certain information as of December 31, 2009, regarding the dollar amount of loans maturing in Camco s portfolio based on the contractual terms to maturity of the loans. Demand loans, loans having no stated schedule of repayments and loans having no stated maturity, are reported as due in one year or less.

	Due in one year or less	Due after one through five years	Due after five years	Total
	(In thousands)			
Loans:				
Residential properties	$ 16,662	$ 45,495	$ 270,166	$ 332,323

Multifamily	843	22,805	15,379	39,027
Nonresidential real estate	5,467	42,809	75,969	124,245
Construction	3,602	9,065	3,717	16,384
Commercial and development	10,789	15,494	10,109	36,392
Home equity lines of credit	11,664	62,349	35,150	109,163
Consumer and other loans	7,054	4,946	5,743	17,743
Total	$ 56,081	$ 202,963	$ 416,233	$ 675,277

	Due after December 31, 2010 (In thousands)
Fixed rate of interest	$ 183,526
Adjustable rate of interest	435,670
Total	$ 619,196

Generally, loans originated by Advantage are on a fully-amortized basis. Advantage has no rollover provisions in its loan documents and anticipates that loans will be paid in full by the maturity date.

Residential Loans. A large portion of the lending activity of Advantage is the origination of fixed-rate and adjustable-rate conventional loans for the acquisition, refinancing or construction of single-family residences. Excluding construction loans and home equity line of credit, approximately 49.2% of total loans as of December 31, 2009, consisted of loans secured by mortgages on one- to four-family residential properties.

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Federal regulations and Ohio law limit the amount which Advantage may lend in relationship to the appraised value of the underlying real estate at the time of loan origination (the Loan-to-Value Ratio or LTV). In accordance with such regulations and law, Advantage generally makes loans for its own portfolio on single-family residences up to 95% of the value of the real estate and improvements. Advantage generally requires the borrower on each loan with an LTV in excess of 80% to obtain private mortgage insurance, loan default insurance or a guarantee by a federal agency. Advantage permits, on an exception basis, borrowers to exceed a LTV of 80% without private mortgage insurance, loan default insurance or a guarantee by a federal agency.

The interest rate adjustment periods on adjustable-rate mortgage loans (ARMs) offered by Advantage are generally one, three and five years. The interest rates initially charged on ARMs and the new rates at each adjustment date are determined by adding a stated margin to a designated interest rate index. Advantage has generally used one-year and three-year United States Treasury note yields, adjusted to a constant maturity, as the index for one-year and three-year adjustable-rate loans, respectively. Advantage has used the London Interbank Offered Rate (LIBOR) and FHLB advance rates as additional indices on certain loan programs to diversify its concentrations of indices that may prove beneficial during repricing of loans throughout changing economic cycles. The maximum adjustment on residential loans at each adjustment date for ARMs is usually 2%, with a maximum adjustment of 6% over the term of the loan. From time to time, Advantage originates ARMs which have an initial interest rate that is lower than the sum of the specified index plus the margin. Such loans are subject to increased risk of delinquency or default due to increasing monthly payments as the interest rates on such loans increase to the fully indexed level. Advantage attempts to reduce the risk by underwriting one year ARMs at the fully-indexed rate and three-year and five-year ARMs utilizing the note rates. None of Advantage s ARMs have negative amortization or payment option features.

Residential mortgage loans offered by Advantage are usually for terms of up to 30 years, which could have an adverse effect upon earnings if the loans do not reprice as quickly as the cost of funds. To minimize such effect, Advantage generally sells fixed-rate loans to Freddie Mac and Fannie Mae. Furthermore, experience reveals that, as a result of prepayments in connection with refinancings and sales of the underlying properties, residential loans generally remain outstanding for periods which are substantially shorter than the maturity of such loans.

At December 31, 2009, fixed-rate loans comprised 32.1% of the 1-4 family residential loan portfolio. Approximately 67.9% of the 1-4 family residential loan portfolio had adjustable rates tied to U.S. Treasury note yields and LIBOR.

Construction and Development Loans. Advantage offers residential construction loans both to owner-occupants and to builders for homes being built under contract with owner-occupants. Advantage also makes loans to persons constructing projects for investment purposes. Loans for developed building lots are generally made on an adjustable-rate basis were for terms of up to three years with an LTV of 80% in the first half of 2009 with policy changes of two years with an LTV of 65% or less in the second half of 2009.

Advantage offers construction loans to owner-occupants at adjustable-rate term loans on which the borrower pays only interest on the disbursed portion during the construction period, which is usually 9 months. At December 31, 2009, approximately $3.2 million, of Advantage s total loans consisted of construction loans for 1-4 family properties of which $734,000 was undisbursed.

Construction loans for investment properties involve greater underwriting and default risks than loans secured by mortgages on existing properties or construction loans for single-family residences. Loan funds are advanced upon the security of the project under construction, which is more difficult to value in the case of investment properties before the completion of construction. Moreover, because of the uncertainties inherent in estimating construction costs, it is relatively difficult to evaluate precisely the total loan funds required to complete a project and the related LTV ratios. In the event a default on a construction loan occurs and foreclosure follows, Advantage could be adversely affected because it would have to take control of the project and either arrange for completion of construction or dispose of the unfinished project. Advantage mitigates these risks by working with experienced developers which have substantial personal liquidity. At December 31, 2009, Advantage had $13.2 million of multi-family and non-residential loans, of which $11.3 million was undisbursed and $9.9 million of land development loans, with $1.0 million undisbursed and of which $4.8 million were classified as impaired and on nonaccrual status.

Nonresidential Real Estate Loans. Advantage originates loans secured by mortgages on nonresidential real estate, including retail, office and other types of business facilities. Nonresidential real estate loans are made on an

adjustable-rate or fixed-rate basis for terms of up to 10 years. Nonresidential real estate loans originated by Advantage generally have an LTV of 80% in the first half of 2009 with policy changes of 75% or less. The largest nonresidential real estate loan outstanding at December 31, 2009, was a $3.8 million loan secured by a nursing home. Nonresidential real estate loans comprised $124.2 million, or 18.4% of total loans at December 31, 2009.

Nonresidential real estate lending is generally considered to involve a higher degree of risk than residential lending due to the relatively larger loan amounts and the effects of general economic conditions on the successful operation of income-producing properties. Advantage has endeavored to reduce this risk by carefully evaluating the credit history and past performance of the

borrower, the location of the real estate, the quality of the management operating the property, the debt service ratio and cash flow analysis, the quality and characteristics of the income stream generated by the property and appraisals supporting the property s valuation.

Consumer and Other Loans. Advantage makes various types of consumer loans, including loans made to depositors on the security of their savings deposits, automobile loans, home improvement loans, home equity line of credit loans and unsecured personal loans. Home equity loans are made at fixed and variable rates of interest for terms of up to 15 years. Most other consumer loans are generally made at fixed rates of interest for terms of up to 10 years. The risk of default on consumer loans during an economic recession is greater than for residential mortgage loans.

Advantage s home equity line of credit loan portfolio totaled $109.2 million, or 16.2%, of the total loan portfolio at December 31, 2009. During 2009, management continued to tighten lending standards on home equity lines of credit in response to significant economic weakness and declining home values. These actions included increasing minimum credit scores and reducing the combined LTV on new loans. At December 31, 2009, education, consumer and other loans constituted $17.7 million, or 2.6% of Advantage s total loans.

Loan Solicitation and Processing. Loan originations are developed from a number of sources, including: solicitations by Advantage s lending staff; referrals from real estate brokers, loan brokers and builders; participations with other banks; continuing business with depositors, other business borrowers and real estate developers; and walk-in customers. Advantage s management stresses the importance of individualized attention to the financial needs of its customers.

The loan origination process for each of Advantage s regions is centralized in the processing and underwriting of loans. Mortgage loan applications from potential borrowers are taken by loan officers originating loans, and then forwarded to the loan department for processing. The Bank typically obtains a credit report, verification of employment and other documentation concerning the borrower and orders an appraisal of the fair market value of the collateral which will secure the loan. The collateral is thereafter physically inspected and appraised by a staff appraiser or by a designated fee appraiser approved by the Board of Directors of Advantage. Upon the completion of the appraisal and the receipt of all necessary information regarding the borrower, the loan is reviewed by an underwriter with appropriate loan approval authority. If the loan is approved, an attorney s opinion of title or title insurance is obtained on the real estate which will secure the loan. Borrowers are required to carry satisfactory fire and casualty insurance and, if applicable, flood and private mortgage insurance, and to name Advantage as an insured mortgagee.

The procedure for approval of construction loans is the same as for residential mortgage loans, except that the appraiser evaluates the building plans, construction specifications and construction cost estimates. Advantage also evaluates the feasibility of the proposed construction project.

Consumer loans are underwritten on the basis of the borrower s credit history and an analysis of the borrower s income and expenses, ability to repay the loan and the value of the collateral. Centralized processing and underwriting are utilized to add adequate controls over the credit review process.

Loan Originations, Purchases and Sales. Generally all residential fixed-rate loans made by Advantage are originated with documentation which will permit a possible sale of such loans to secondary mortgage market investors. When a mortgage loan is sold to the investor, Advantage services the loan by collecting monthly payments of principal and interest and forwarding such payments to the investor, net of a servicing fee. Fixed-rate loans not sold and generally all of the ARMs originated by Advantage are held in Advantage s loan portfolio. During the year ended December 31, 2009, Advantage sold approximately $108.5 million in loans. Loans serviced by Advantage for others totaled $497.0 million at December 31, 2009.

The Corporation s lending efforts have historically focused on loans secured by existing 1-4 family residential properties. Generally, such loans have been underwritten on the basis of no more than an 80% loan-to-value ratio, which has historically provided the Corporation with adequate collateral coverage in the event of default. Nevertheless, Advantage, as with any lending institution, is subject to the risk that residential real estate values could deteriorate in its primary lending areas within Ohio, West Virginia, and northern Kentucky, thereby impairing collateral values.

Of the total loans originated by Advantage during the year ended December 31, 2009, 45.1% were ARM and 54.9% were fixed-rate loans. Adjustable-rate loans comprised 68.0% of Advantage s total loans outstanding at December 31,

2009.

From time to time, Advantage sells participation interests in mortgage loans, business loans and commercial loans originated by it and purchases whole loans or participation interests in loans originated by other lenders. Advantage held whole loans and participations in loans originated by other lenders of approximately $20.1 million at December 31, 2009. Loans which Advantage purchases must meet or exceed the underwriting standards for loans originated by Advantage.

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The following table presents Advantage s mortgage loan origination, purchase, sale and principal repayment activity for the periods indicated:

	Year ended December 31,				
	2009	2008	2007	2006	2005
			(In thousands)		
Loans originated:					
Construction (purchased and originated)	$ 2,310	$ 7,774	$ 41,323	$ 23,752	$ 45,066
Permanent	190,662	107,776	80,900	86,613	121,033
Consumer and other	55,243	127,604	173,070	172,403	234,214
Total loans originated	245,905	243,154	295,293	282,768	400,313
Loans purchased	7,035	249	3,021	3,698	11,141
Reductions:					
Principal repayments	204,502	229,330	249,922	250,409	323,314
Loans sold	108,481	45,330	49,953	50,924	69,734
Transfers from loans to real estate owned	9,631	6,574	5,490	4,092	3,725
Total reductions	(322,614)	(281,234)	(305,365)	(305,425)	(396,773)
Increase (decrease) in other items, net [1]	(29,655)	(18,614)	505	(959)	(2,656)
Net increase (decrease)	$ (99,329)	$ (56,445)	$ (6,546)	$ (19,918)	$ 12,025

(1) Other items primarily consist of amortization of deferred loan origination fees and the provision for losses on loans.

Lending Limit. Federal regulations and Ohio law generally impose a lending limit on the aggregate amount that a depository institution can lend to one borrower to an amount equal to 15% of the institution s total capital for risk-based capital purposes plus any loan reserves not already included in total capital (the Lending Limit Capital). A depository institution may loan to one borrower an additional amount not to exceed 10% of the institution s Lending Limit Capital, if the additional amount is fully secured by certain forms of readily marketable collateral. Real estate is not considered readily marketable collateral. In applying this limit, the regulations require that loans to certain related or affiliated borrowers be aggregated.

The largest amount which Advantage could have loaned to one borrower at December 31, 2009, was approximately $10.1 million. The largest amount Advantage had outstanding to one borrower and related persons or entities at December 31, 2009, was $9.1 million, which consisted of loans secured by 1-4 units within seven subdivisions.

Loan Concentrations. Advantage has historically originated loans secured by real estate. At December 31, 2009, approximately 90.0% of total loans were secured by real estate, with 65.4% of total loans secured by 1-4 family residential real estate. Home equity lines of credit comprised 16.2% of total loans at December 31, 2009. There were no concentrations of loans to specific industries that exceeded 8.6% of total loans at December 31, 2009. Regulatory guidance suggests that financial institutions not exceed 3x risk based capital in a concentration of commercial real estate. At December 31, 2009, Camco s ratio for this concentration was 2.25x risk based capital approximately $50.8 million under the guidance limitation.

Loan Origination and Other Fees. In addition to interest earned on loans, Advantage may receive loan origination fees or points relating to the loan amount, depending on the type of loan, plus reimbursement of certain other expenses. Loan origination fees and other fees are a volatile source of income, varying with the volume of lending and economic conditions. All nonrefundable loan origination fees and certain direct loan origination costs are deferred and recognized as an adjustment to yield over the life of the related loan.

Delinquent Loans, Nonperforming Assets and Classified Assets. Generally, after a loan payment is 15 days delinquent, a late charge of 5% of the amount of the payment is assessed and a collection officer contacts the borrower to request payment. In certain limited instances, Advantage may modify the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize his or her financial affairs. Advantage generally initiates foreclosure proceedings, in accordance with applicable laws, when it appears that a modification or moratorium would not be effective.

Real estate which has been acquired by Advantage as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until it is sold. Real estate owned is recorded at the lower of the book value of the loan or the fair value of the property less estimated selling expenses at the date of acquisition. Periodically, real estate owned is reviewed to ensure that fair

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value is not less than carrying value, and any write-down resulting from the review is charged to earnings as a provision for losses on real estate acquired through foreclosure. All costs incurred from the date of acquisition are expensed in the period paid.

The following table reflects the amount of loans in a delinquent status as of the dates indicated:

	At December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Loans delinquent for:					
one two payments	$ 12,590	$ 13,338	$ 18,210	$ 13,833	$ 9,490
three or more payments	29,543	25,202	19,070	18,536	13,922
Total delinquent loans	$ 42,133	$ 38,540	$ 37,280	$ 32,369	$ 23,412
Ratio of total delinquent loans to total net loans (1)	6.39%	5.09%	4.59%	3.91%	2.76%

(1) Total net loans include 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.

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

	At December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Loans accounted for on nonaccrual basis:					
Real estate:					
Residential(1)	$ 19,190	$ 20,616	$ 8,411	$ 9,618	$ 7,576
Multi-family	2,341	3,139	871	4,682	2,300
Nonresidential	3,857	18,057	6,908	1,989	3,109
Construction	4,382	8,603	5,568	92	
Commercial	515	1,393	455	398	387
Home equity lines of credit	2,415	1,549	925	750	391
Consumer and other	148	127	857	136	159
Total nonaccrual loans	32,848	53,484	23,995	17,665	13,922
Accruing loans delinquent three months or more					
Real estate:					
Residential		44	1,520	728	
Multi-family				143	
Nonresidential	2,853				

Construction	638				
Commercial	110				
Total loans 90 days past due and accruing	3,601	44	1,520	871	
Total nonperforming loans	36,449	53,528	25,515	18,536	13,922
Other real estate owned	9,660	5,841	5,034	3,956	2,581
Total nonperforming assets	$ 46,109	$ 59,369	$ 30,549	$ 22,492	$ 16,503
Allowance for loan losses	$ 16,099	$ 15,747	$ 6,623	$ 7,144	$ 6,959
Nonperforming loans as a percent of total net loans [2]	5.40%	6.91%	3.13%	2.23%	1.64%
Nonperforming assets to total assets	5.47%	5.93%	2.99%	2.15%	1.54%
Allowances for loan losses as a percent of nonperforming loans	44.2%	29.4%	26.0%	38.5%	50.0%
Memo section:					
Troubled debt restructurings					
Loans and leases restructured and in compliance with modified terms	$ 16,645	$ 11,440			
Loans and leases restructured and not in compliance with modified terms	$ 4,783	$ 12,882			

(1) Includes loans secured by first and junior liens

(2) Includes loans held for sale.

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The amount of interest income that would have been recorded had nonaccrual loans performed in accordance with contractual terms totaled approximately $2.1 million for the year ended December 31, 2009. Interest collected on such loans and included in net earnings was $1.4 million.

Federal regulations require the Bank to classify its assets on a regular basis. Problem assets are to be classified as either (i) substandard, (ii) doubtful or (iii) loss. Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss of principal and or interest if the deficiencies are not corrected. Doubtful assets have the same weaknesses as substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of existing facts, conditions and value. Assets classified as loss are considered uncollectible and of such little value that their treatment as assets without the establishment of a specific reserve is unwarranted. Loans classified and generally charged off in the month are identified as a loss. Regulations provide for the reclassification of assets by examiners. At December 31, 2009, the aggregate amounts of Advantage s classified assets were as follows:

		December 31, 2009 (In thousands)
Classified loans:		
Substandard	$	48,231
Doubtful		735
Loss		117
Total classified assets	$	49,083

The interpretive guidance of the regulations also includes a special mention category, consisting of assets which do not currently expose an insured institution to a sufficient degree of risk to warrant classification, but which possess credit deficiencies or potential weaknesses deserving management s close attention. Advantage had assets in the amount of $22.6 million designated as special mention at December 31, 2009 compared to $9.8 million at December 31, 2008.

Allowance for Loan Losses

Lending money is a substantial part of our business. However, every loan we make carries a risk of non-payment. This risk is affected by, among other things: cash flow of the borrower and/or the project being financed; in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral; the credit history of a particular borrower; changes in economic and industry conditions; and the duration of the loan.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make significant estimates that affect the financial statements. One of our most critical estimates is the level of the allowance for loan losses. Due to the inherent nature of these estimates, we cannot provide absolute assurance that we will not be required to charge earnings for significant unexpected loan losses.

We maintain an allowance for loan losses that we believe is a reasonable estimate of known and inherent losses within the loan portfolio. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. Through a periodic review and consideration of the loan portfolio, management determines the amount of the allowance for loan losses by considering general market conditions, credit quality of the loan portfolio, the collateral supporting the loans and performance of customers relative to their financial obligations with us. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control, and these losses may exceed current estimates. We cannot fully predict the amount or timing of losses or whether the loan loss allowance will be adequate in the future.

In originating loans, the Bank recognizes that credit losses will be experienced and that the risk of loss will vary with, among other things, the type of loan being made, the creditworthiness of the borrower over the term of the loan,

general economic conditions and, in the case of a secured loan, the quality of the security for the loan. It is management s policy to maintain an adequate allowance for loan losses based on, among other things, the Bank s historical loan loss experience, evaluation of economic conditions and regular reviews of delinquencies and loan portfolio quality. The Bank increases its allowance for loan losses by charging provisions for loan losses against the Bank s income.

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General allowances are made pursuant to management s assessment of risk in the Bank s loan portfolio as a whole. Specific allowances are provided for individual loans when ultimate collection is considered questionable by management after reviewing the current status of loans which are contractually past due and considering the net realizable value of the security for the loan. Management continues to actively monitor the Bank s asset quality and to charge off loans against the allowance for loan losses when appropriate or to provide specific loss reserves when necessary. Although management believes it uses the best information available to make determinations with respect to the allowance for loan losses, future adjustments may be necessary if economic conditions differ substantially from the economic conditions in the assumptions used in making the initial determinations.

	December 31, 2009	December 31, 2008
	(Dollars in thousands)	
General allowance	$11,700	$10,138
Specific allowance	4,399	5,609
Total allowance	$16,099	$15,747

Management s approach includes establishing a specific valuation allowance by evaluating individual non-performing loans for probable losses based on a systematic approach involving estimating the realizable value of the underlying collateral. Additionally, management established a general valuation allowance for pools of performing loans segregated by collateral type. For the general valuation allowance, management is applying a prudent loss factor based on our historical loss experience, while considering trends based on changes to non-performing loans and foreclosure activity, and our subjective evaluation of the economic environment. The loan portfolio is segregated into categories based on collateral type and a loss factor is applied to each category. The initial basis for each loss factor is the Corporation s loss experience for each category. Historical loss percentages are calculated and adjusted by taking charge-offs (net of recoveries) in each risk category during the past 12 consecutive quarters and dividing the total by the balance of each category.

The following table sets forth an analysis of Advantage s allowance for loan losses historical loss experience:

	Year ended December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Balance at beginning of year	$ 15,747	$ 6,623	$ 7,144	$ 6,959	$ 6,476
Charge-offs:					
1-4 family residential real estate (1)	8,267	3,568	1,049	646	702
Multifamily and nonresidential real estate	2,548	836	743	562	133
Nonresidential real estate	7,116	354	173		
Other Construction and Land	2,484	703			
Consumer	20	21	76	212	117
Commercial	2,052	964	25		321
Agriculture Loans	41	112	27	11	
Overdraft Protection	18	9	134	8	7
Total charge-offs	22,546	6,567	2,097	1,439	1,280
Recoveries:					
1-4 family residential real estate (1)	445	373	27	25	265
Multifamily and nonresidential real estate	608	19	3	25	
Nonresidential real estate	13	235	4	2	

Other Construction and Land		1	2		
Consumer		46	19	102	17
Commercial	22	223	1	30	
Agriculture Loans			22		
Overdraft Protection	18	1	3		1
Total recoveries	1,106	898	81	184	283
Net (charge-offs) recoveries	(21,440)	(5,669)	(2,016)	(1,255)	(997)
Provision for losses on loans	21,792	14,793	1,495	1,440	1,480
Balance at end of year	$ 16,099	$ 15,747	$ 6,623	$ 7,144	$ 6,959
Net (charge-offs) recoveries to average loans	(3.21)%	(.74)%	(.25)%	(.15)%	(.12)%

(1) Includes home equity lines of credit.

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The following table sets forth the allocation of Advantage s allowance for loan losses by type of loan at the dates indicated:

	At December 31,									
	2009		2008		2007		2006		2005	
	Amount	Percent Of loans In each Category To total Loans	Amount	Percent Of loans In each Category To total Loans	Amount	Percent Of loans In each Category To total Loans	Amount	Percent Of loans In each Category To total Loans	Amount	Percent Of loans In each Category To total Loans
	(Dollars in thousands)									
Real estate:										
Residential	$ 4,912	49.2%	$ 3,842	52.2%	$ 2,723	53.2%	$ 2,367	57.4%	$ 2,470	56.0%
Multi-family	1,527	5.8	1,725	5.0	1,413	5.0	1,168	5.3	512	6.1
Nonresidential	4,066	18.4	2,783	16.8	791	15.4	1,883	12.8	1,970	12.4
Construction	863	2.4	1,306	4.0	665	5.6	239	5.2	276	7.6
Commercial & development	2,906	5.4	3,170	5.3	268	5.1	952	4.3	1,035	2.5
Home equity lines of credit	1,185	16.2	983	16.2	690	14.9	252	14.1	232	12.8
Consumer & other	640	2.6	1,938	0.5	73	.8	283	0.9	464	2.6
Total	$ 16,099	100.0%	$ 15,747	100.0%	$ 6,623	100.0%	$ 7,144	100.0%	$ 6,959	100.0%

Investment and Mortgage-Backed Securities Activities

Federal regulations permit Camco to invest liquid assets, in United States Treasury obligations, securities of various U.S. Government sponsored enterprises, certificates of deposit at FDIC insured banks, corporate debt and equity securities or obligations of state and local political subdivision s and municipalities. Camco is also permitted to make limited investments in commercial paper and certain mutual funds.

The following table sets forth the composition of Camco s investment securities portfolio, except its stock in the FHLB of Cincinnati, at the dates indicated:

	At December 31,											
	2009				2008				2007			
	Amortized Cost	% of Total	Fair Value	% of total	Amortized Cost	% of Total	Fair Value	% of total	Amortized Cost	% of Total	Fair Value	% of total
	(Dollars in thousands)											
eld to maturity:												
.S. Government onsored nterprises	$	0.0%	$	0.0%	$ 10,955	11.3%	$ 11,044	11.2%	$	0.0%	$	0.0
Iunicipal bonds	501	.9	558	1.0	541	0.6	574	0.6	$ 567	0.6	$ 591	0.6
	1,612	2.8	1,642	2.8	1,910	1.9	1,912	1.9	2,202	2.4	2,202	2.4

ortgage-backed ecurities												
otal	2,113	3.7	2,200	3.8	13,406	13.8	13,530	13.7	2,769	3.0	2,793	3.0
vailable for le:												
.S. Government ponsored nterprises	14,514	25.7	14,564	25.0	28,318	29.1	28,639	29.0	37,519	40.9	37,782	41.2
unicipal bonds					100	0.1	101	1.2	210	0.2	212	0.2
orporate equity curities	157	.3	88	.2	157	0.2	143	0.1	157	0.2	164	0.2
ortgage-backed curities	39,690	70.3	41,298	71.0	55,218	56.8	56,469	57.1	51,051	55.7	50,761	55.4
otal	54,361	96.3	55,950	96.2	83,793	86.2	85,352	86.3	88,937	97.0	88,919	97.0
otal investments nd ortgage-backed curities	$ 56,474	100.0%	$ 58,150	100.0%	$ 97,199	100.0%	$ 98,882	100.0%	$ 91,706	100.0%	$ 91,712	100.0

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The following table presents the contractual maturities of Advantage s investment securities, except its stock in the FHLB of Cincinnati and corporate equity securities, and the weighted-average yields for each range of maturities:

	At December 31, 2009										
	One year or less		After one through five years		After five through ten years		After ten years		Total		
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized cost	Fair Value	Weighted-Average yield
	(Dollars in thousands)										
U.S. Government Sponsored enterprises	$ 11,514	2.58%	$	%	$ 3,000	3.00%	$	%	$ 14,514	$ 14,564	2.67%
Municipal bonds			411	4.20			90	6.66	501	558	4.64
Mortgage-backed Securities	953	4.48	7,731	4.13	7,488	4.79	25,130	5.25	41,302	42,940	4.88
Total	$ 12,467	2.73%	$ 8,142	4.13%	$ 10,488	4.28%	$ 25,220	5.26%	$ 56,317	$ 58	4.30%

Deposits and Borrowings

General. Deposits are a primary source of Advantage s funds for use in lending and other investment activities. In addition to deposits, Advantage derives funds from interest payments and principal repayments on loans, advances from the FHLB of Cincinnati and income on earning assets. Loan payments are a relatively stable source of funds, while deposit inflows and outflows fluctuate more in response to general interest rate and money market conditions. As part of Advantage s asset and liability management strategy, FHLB advances and other borrowings are used to fund loan originations and for general business purposes. FHLB advances are also used on a short-term basis to compensate for reductions in the availability of funds from other sources.

Deposits. Deposits are attracted principally from within Advantage s primary market area through the offering of a broad selection of deposit instruments, including interest-bearing and non-interest bearing checking accounts, money market deposit accounts, regular savings accounts, health savings accounts, term certificate accounts and retirement savings plans. In 2006 we began offering brokered certificates of deposit as an alternative to advances from the FHLB, these offerings were discontinued in the latter half of 2009. In 2010, we began offerings with Qwick Rate as part of the bank s contingency funding plan. Qwick Rate is a non-brokered deposit listing service that provides the Bank with access to institutional certificate of deposits. The Bank pays an annual subscription fee to access the listing service. Interest rates paid, maturity terms, service fees and withdrawal penalties for the various types of accounts are established periodically by management of Advantage based on its liquidity requirements, growth goals and interest rates paid by competitors.

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). *See* Regulation_Regulatory Agreements below. 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.

The following table sets forth the dollar amount of deposits in the various types of savings programs offered by Advantage at the dates indicated:

At December 31,

	2009		2008		2007	
	Amount	Weighted-average rate	Amount	Weighted-average rate	Amount	Weighted-average rate
	(Dollars in thousands)					
Non-interest bearing demand	$ 38,911	%	$ 37,526	%	$ 35,755	%
Interest-bearing demand	70,564	0.43	87,199	0.91	91,132	1.57
Money market demand accounts	96,172	0.68	112,749	1.35	111,740	3.57
Passbook and statement savings accounts	36,638	0.25	33,838	0.26	36,963	0.27
Total certificate accounts	417,617	2.73	452,644	3.79	416,594	4.80
Total deposits	$ 659,902	1.89%	$ 723,956	2.71%	$ 692,184	3.68%

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The following table sets forth the amount and maturities of Advantage s time deposits in excess of $100,000 at December 31, 2009:

	(In thousands)
Three months or less	$ 26,444
Over three to six months	18,369
Over six to twelve months	45,787
Over twelve months	45,716
Total	$ 136,316

Borrowings. The twelve regional FHLBs function as central reserve banks, providing credit for their member institutions. As a member in good standing of the FHLB of Cincinnati, Advantage is authorized to apply for advances from the FHLB of Cincinnati, provided certain standards of creditworthiness have been met. Advances are made pursuant to several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution s regulatory capital or on the FHLB s assessment of the institution s creditworthiness. Under current regulations, a member institution must meet certain qualifications to be eligible for FHLB advances. FHLB advances are secured by a blanket pledge on Advantage s 1-4 family and multifamily residential loans, home equity lines of credit, junior mortgages and FHLB stock. Advantage currently provides their 1-4 family residential notes as collateral without recourse or warranty.

Borrowings also include repurchase agreements and subordinated debentures. Repurchase agreements are collateralized by a portion of Advantage s investment portfolio.

Competition

Advantage competes for deposits with other commercial banks, savings associations, savings banks, insurance companies and credit unions and with the issuers of commercial paper and other securities, such as shares in money market mutual funds. The primary factors in competing for deposits are interest rates and convenience of office location. In making loans, Advantage competes with other commercial banks, savings banks, savings associations, consumer finance companies, credit unions and other lenders. Advantage competes for loan originations primarily through the interest rates and loan fees it charges and through the efficiency and quality of the services it provides to borrowers. Competition is affected by, among other things, the general availability of lendable funds, general and local economic conditions, current interest rate levels and other factors which are not readily predictable.

Service Corporation Activities

Advantage has no operating subsidiaries. First S&L Corporation, a subsidiary of Advantage, is inactive and was capitalized on a nominal basis at December 31, 2009.

Employees

As of December 31, 2009, Camco had 224 full-time employees and 28 part-time employees. Camco believes that relations with its employees are stable. None of the employees of Camco are represented by a collective bargaining unit.

REGULATION

General

As a financial services holding company registered under the Bank Holding Company Act of 1956, as amended (the BHC Act), Camco is subject to regulation, examination and oversight by the Board of Governors of the Federal Reserve System (FRB). Although Camco is recognized as a financial holding company, most regulations pertaining to bank holding companies also apply to it. Advantage is a non-member of the FRB and is primarily subject to regulation by the State of Ohio, Department of Commerce, Division of Ohio Financial Institution and the FDIC. Camco and Advantage must file periodic reports with these governmental agencies, as applicable, concerning their activities and financial condition. Examinations are conducted annually by the applicable regulators to determine whether Camco and Advantage are in compliance with various regulatory requirements and are operating in a safe and sound manner. Advantage is also subject to certain regulations promulgated by the FRB.

Ohio Regulation

Regulation by the Division affects the internal organization of Advantage, as well as its depository, lending and other investment activities. Periodic examinations by the Division are usually conducted on a joint basis with the FDIC. Ohio law requires that Advantage maintain federal deposit insurance as a condition of doing business. The ability of Ohio chartered banks to engage in

certain state-authorized investments is subject to oversight and approval by the FDIC. See Federal Deposit Insurance Corporation State Chartered Bank Activities.

Any mergers involving, or acquisitions of control of, Ohio banks must be approved by the Division. The Division may initiate certain supervisory measures or formal enforcement actions against Ohio chartered banks. Ultimately, if the grounds provided by law exist, the Division may place an Ohio chartered bank in conservatorship or receivership.

In addition to being governed by the laws of Ohio specifically governing banks, Advantage is also governed by Ohio corporate law, to the extent such law does not conflict with the laws specifically governing banks.

Federal Deposit Insurance Corporation

Supervision and Examination. The FDIC is responsible for the regulation and supervision of all commercial banks that are not members of the FRB (Non-member Banks). The FDIC is an independent federal agency that insures the deposits, up to prescribed statutory limits, of federally insured banks and thrifts and safeguards the safety and soundness of the bank and thrift industries.

Non-member Banks are subject to regulatory oversight under various state and federal consumer protection and fair lending laws. These laws govern, among other things, truth-in-lending and truth-in-savings disclosure, equal credit opportunity, fair credit reporting and community reinvestment. Failure to abide by federal laws and regulations governing community reinvestment could limit the ability of an institution to open a new branch or engage in a merger transaction.

State Chartered Bank Activities. The ability of Advantage to engage in any state-authorized activities or make any state-authorized investments, as principal, is limited if such activity is conducted or investment is made in a manner different than that permitted for, or subject to different terms and conditions than those imposed on, national banks. Engaging as a principal in any such activity or investment not permissible for a national bank is subject to approval by the FDIC. Such approval will not be granted unless certain capital requirements are met and there is not a significant risk to the FDIC insurance fund. Most equity and real estate investments (excluding office space and other real estate owned) authorized by state law are not permitted for national banks. Certain exceptions are granted for activities deemed by the FRB to be closely related to banking and for FDIC-approved subsidiary activities.

Liquidity. Advantage is not required to maintain a specific level of liquidity; however, the FDIC expects it to maintain adequate liquidity to protect safety and soundness.

Regulatory Capital Requirements. Camco and Advantage are required by applicable law and regulations to meet certain minimum capital requirements. The capital standards include a leverage limit, or core capital requirement, a tangible capital requirement and a risk-based capital requirement.

The leverage capital requirement is a minimum level of Tier 1 capital to average total consolidated assets of 4%. Tier 1 capital includes common stockholders equity, noncumulative perpetual preferred stock and minority interest in the equity accounts of consolidated subsidiaries, less all intangibles, other than includable purchased mortgage servicing rights and credit card relationships.

Regulatory Agreements.

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 August 5, 2009 Camco, entered into a written agreement with the FRB. The written agreement 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. The written agreement also required Camco to develop a capital plan and submit it to the FRB for approval.

Advantage entered into a consent agreement with the FDIC and the Ohio Division of Financial Institutions that provided for the issuance of an order by the FDIC and the Ohio Division. That order was executed by the FDIC and Ohio Division on July 31, 2009 (the Consent Order). The Consent Order 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 Order, Advantage is disqualified as a public depository under Ohio law and will incur higher premiums for FDIC insurance of its accounts.

For purposes of computing risk-based capital, assets and certain off-balance sheet items are weighted at percentage levels ranging from 0% to 100%, depending on their relative risk. Advantage did not meet this 8% requirement at December 31, 2009.

As a result of the Consent Order, the Bank will be considered adequately capitalized until the Consent Order is removed by the FDIC and the Ohio Division of Financial Institutions.

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

Transactions with Affiliates and Insiders

All transactions between banks and their affiliates must comply with Sections 23A and 23B of the Federal Reserve Act (the FRA) and the FRB s Regulation W. An affiliate is any company or entity which controls, is controlled by or is under common control with the financial institution. In a holding company context, the parent holding company of a bank and any companies that are controlled by such parent holding company are affiliates of the institution. Generally, Sections 23A and 23B of the FRA (i) limit the extent to which a financial institution or its subsidiaries may engage in covered transactions with any one affiliate up to an amount equal to 10% of such institution s capital stock and surplus for any one affiliate and 20% of such capital stock and surplus for the aggregate of such transactions with all affiliates, and (ii) require that all such transactions be on terms substantially the same, or at least as favorable to the institution or the subsidiary, as those provided to a non-affiliate. The term covered transaction includes the making of loans, purchase of assets, issuance of a guarantee and similar types of transactions. Exemptions from Sections 23A or 23B of the FRA may be granted only by the FRB. Advantage was in compliance with these requirements at December 31, 2009.

Change in Control

Federal Law. The Federal Deposit Insurance Act (the FDIA) provides that no person, acting directly or indirectly or in concert with one or more persons, shall acquire control of any insured depository institution or holding company, unless 60-days prior written notice has been given to the primary federal regulator for that institution and such regulator has not issued a notice disapproving the proposed acquisition. Control, for purposes of the FDIA, means the power, directly or indirectly, alone or acting in concert, to direct the management or policies of an insured institution or to vote 25% or more of any class of securities of such institution. Control exists in situations in which the acquiring party has direct or indirect voting control of at least 25% of the institution s voting shares, controls in any manner the election of a majority of the directors of such institution or is determined to exercise a controlling influence over the management or policies of such institution. In addition, control is presumed to exist, under certain circumstances where the acquiring party (which includes a group acting in concert) has voting control of at least 10% of the institution s voting stock. These restrictions do not apply to holding company acquisitions. See Holding Company Regulation .

Ohio Law. A statutory limitation on the acquisition of control of an Ohio bank requires the written approval of the Division prior to the acquisition by any person or entity of a controlling interest. Control exists, for purposes of Ohio law, when any person or entity which, either directly or indirectly, or acting in concert with one or more other persons or entities, owns, controls, holds with power to vote, or holds proxies representing, 15% or more of the voting shares or rights of an association, or controls in any manner the election or appointment of a majority of the directors. Ohio law also requires that certain acquisitions of voting securities that would result in the acquiring shareholder owning 20%, 33-1/3% or 50% of the outstanding voting securities of Camco must be approved in advance by the holders of at least a majority of the outstanding voting shares represented at a meeting at which a quorum is present and a majority of the portion of the outstanding voting shares represented at such a meeting, excluding the voting shares by the acquiring shareholder. This statute was intended, in part, to protect shareholders of Ohio corporations from coercive tender offers.

Holding Company Regulation

As a financial holding company, Camco has registered with the FRB and is subject to FRB regulations, examination, supervision and reporting requirements. Because Camco is a bank holding company that has elected to become a financial services holding company, some of the restrictions on its activities are reduced. Camco s financial services holding company status allows Advantage to associate or have management interlocks with business organizations engaged in securities activities. In order to maintain status as a financial holding company, Advantage must be well capitalized and well managed, and must meet Community Reinvestment Act obligations. Failure to maintain such standards may ultimately permit the FRB to take certain enforcement actions against Camco.

Federal Reserve Requirements

FRB regulations currently require banks to maintain reserves of 3% of net transaction accounts (primarily NOW accounts) up to $44.4 million (subject to an exemption of up to $10.3 million). At December 31, 2009, Advantage was in compliance with its reserve requirements.

Item 1A. Risk Factors.

Like all financial companies, Camco s business and results of operations are subject to a number of risks, many of which are outside of our control. In addition to the other information in this report, readers should carefully consider that the following important factors, among others, could materially impact our business and future results of operations.

We expect to continue to be subject to restrictions and conditions of Consent Order issued by the Federal Deposit Insurance Corporation and the Ohio Division of Financial Institutions. We have incurred and expect to continue to incur significant additional regulatory compliance expense in connection with the Consent Order. Failure to comply with the expected Consent Order could result in additional enforcement action against us, including the imposition of monetary penalties.

The Bank continues to be under the conditions of the Consent Order as a result of various regulatory concerns as of December 31, 2009. The management team has made significant progress on numerous directives provided in the consent order. If we fail to comply with the terms and conditions of the Consent Order, the FDIC or the Ohio Division of Financial Institutions could take additional enforcement action against us, including the imposition of monetary penalties as well as further operating restrictions. We have incurred and expect to continue to incur significant additional regulatory compliance expense in connection with the Consent Order, and we will incur ongoing expenses attributable to compliance with the terms of the Consent Order. Although we do not expect it, it is possible regulatory compliance expenses related to the Consent Order could have a materially adverse impact on us in the future. While we believe that we will be able to take actions that will result in the Consent Order being terminated in the future, such actions may not result in the FDIC and Ohio Division of Financial Institutions terminating the Consent Order.

Our capital levels currently are not sufficient to achieve compliance with the higher capital requirements we must meet as defined in the Consent Order.

Under the Consent Order the FDIC required the Bank to raise its tier I capital to 8% by February 28, 2010. While we did achieve the required capital position during 2009, we did not maintain the levels of capital required at February 28, 2010. As of December 31, 2009, the Bank would have needed approximately $8.2 million in additional capital based on assets at such date to meet this requirement. The Corporation currently does not have any capital available to invest in the Bank. We are considering various strategies to help us achieve the required capital level, but there is no assurance that any capital raising strategy can be completed successfully in the near future. Moreover, any further increases to our allowance for loan losses and operating losses would negatively impact our capital levels and make it more difficult to achieve the capital level directed by the FDIC and Ohio Division of Financial Institutions. Based on our failure to meet the required capital level, the FDIC or the Ohio Division of Financial Institutions could take additional enforcement action against us.

We have a relatively high percentage of non-performing loans and classified assets relative to our total assets. If our allowance for loan losses is not sufficient to cover our actual loan losses, our ability to become profitable will be adversely affected.

At December 31, 2009, our non-performing loans totaled $42.5 million, representing 5.4% of total loans and 5.0% of total assets. In addition, loans which management has classified as either substandard, doubtful or loss totaled $49.1 million, representing 7.3% of total loans and 5.8% of total assets. At December 31, 2009, our allowance for loan losses was $16.1 million, representing 49.0% of non-performing loans. In the event our loan customers do not repay their loans according to their terms and the collateral securing the payment of these loans is insufficient to pay any remaining loan balance, we may experience significant loan losses, which could have a materially adverse effect on our operating results. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable losses in our loan portfolio, resulting in additions to our allowance. The additions to our allowance for loan losses would be made through increased provision for loan losses, which would reduce our income.

Since 2008, our loan quality has been negatively impacted by deteriorating conditions within the commercial real estate market and economy as a whole, which has caused declines in commercial real estate values and deterioration in financial condition of various commercial borrowers. Additionally, increases in delinquent real estate mortgage loans have occurred as a result of deteriorating economic conditions and a decline in the housing market across our geographic footprint that reflected declining home prices and increasing inventories of houses for sale. These conditions have led Camco to downgrade the loan quality ratings on various commercial real estate loans through its normal loan review process. In addition, several impaired loans have become under-collateralized due to reductions in the estimated net realizable fair value of the underlying collateral. As a result,

Camco s provision for loans losses, net charge-offs and nonperforming loans in recent quarters have continued to be higher than historical levels. The additional provisions for loan losses in this period were largely attributed to the aforementioned issues.

The Corporation and the Bank operate in a highly regulated environment and may be adversely affected by changes in laws and regulations.

Advantage Bank is subject to extensive regulation, supervision and examination by the FDIC, our primary regulator, and by the Ohio Division of Financial Institutions. The Corporation also is subject to regulation and supervision by the FRB. Such regulation and supervision govern the activities in which an institution and its holding Company may engage, and are intended primarily for the protection of the insurance fund and for the depositors and borrowers of the Bank. The regulation and supervision by regulatory authorities are not intended to protect the interests of investors in our common stock. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations.

The enactment of recent legislation may significantly affect our financial condition, results of operation, liquidity or stock price.

The Emergency Economic Stabilization Act of 2008 (EESA) was signed into law on October 3, 2008. As part of EESA, the Treasury established the Troubled Assets Relief Program, including the Capital Purchase Program (CPP), to provide up to $700 billion of funding to eligible financial institutions through the purchase of capital stock and other financial instruments for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Then, on February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA), as a sweeping economic recovery package intended to stimulate the economy and provide for broad infrastructure, energy, health, and education needs. There can be no assurance as to the actual impact that EESA or its programs, including the CPP, and ARRA or its programs, will have on the national economy or financial markets. The failure of these significant legislative measures to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit or the trading price of our common shares.

There have been numerous actions undertaken in connection with or following EESA and ARRA by the FRB, Congress, the Treasury, the FDIC, the SEC and others in efforts to address the current liquidity and credit crisis in the financial industry that followed the sub-prime mortgage market meltdown which began in late 2007. These measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; emergency action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector. The purpose of these legislative and regulatory actions is to help stabilize the U.S. banking system. EESA, ARRA and the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, our business, financial condition and results of operations could be materially and adversely affected.

FDIC insurance premiums have increased substantially in 2009, and Advantage expects to pay higher FDIC premiums in the future because bank failures have significantly reduced the deposit insurance fund s ratio of reserves to insured deposits. The FDIC adopted a revised risk-based deposit insurance assessment schedule on February 27, 2009, which raised deposit insurance premiums. On May 22, 2009, the FDIC also implemented a special assessment, which totaled $436,000 for Advantage. Additional special assessments may be imposed by the FDIC for future periods. On November 12, 2009, the FDIC adopted a final rule that requires insured depository institutions to prepay on December 30, 2009, their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. Advantage s deposit insurance premiums will also increase because of the Consent Order. Additional bank failures may require additional significant deposit insurance premium increases, which would affect Advantage s income. On November 12, 2009, Advantage received an exemption from prepaying its quarterly risk-based

assessment for the fourth quarter of 2009, and all of 2010, 2011, and 2012. As a result, Advantage will continue to pay on a quarterly basis.

Difficult economic conditions and market volatility have adversely impacted the banking industry and financial markets generally and may significantly affect our business, financial condition, or results of operation.

The continued deteriorating economic conditions in our markets may negatively affect the Corporation. The Midwest s falling home prices and increasing foreclosures, unemployment and underemployment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions. The resulting write-downs to assets of financial institutions have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to seek government assistance or bankruptcy protection.

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Many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers, including to other financial institutions because of concern about the stability of the financial markets and the strength of counterparties. It is difficult to predict how long these economic conditions will exist, which of our markets, products or other businesses will ultimately be affected, and whether management s actions will effectively mitigate these external factors. Accordingly, the resulting lack of available credit, lack of confidence in the financial sector, decreased consumer confidence, increased volatility in the financial markets and reduced business activity could materially and adversely affect the Camco s business, financial condition and results of operations.

As a result of the challenges presented by economic conditions, we may face the following risks in connection with these events:

- Inability of borrowers to make timely repayments of their loans, or decreases in value of real estate collateral securing the payment of such loans resulting in significant credit losses, which could result in increased delinquencies, foreclosures and customer bankruptcies, any of which could have a material adverse effect on our operating results.

- Increased regulation of the financial services industry, including heightened legal standards and regulatory requirements or expectations. Compliance with such regulation will likely increase costs and may limit Camco s ability to pursue business opportunities.

- Further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations, may result in an inability to borrow on favorable terms or at all from other financial institutions.

- Increased competition among financial services companies due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies, which may adversely affect the Camco s ability to market our products and services.

Volatility in the economy may negatively impact the fair value of our stock.

The market price for Camco s common stock has been volatile in the past, and several factors could cause the price to fluctuate substantially in the future, including:

- announcements of developments related to our business;

- fluctuations in our results of operations;

- sales of substantial amounts of our securities into the marketplace;

- general conditions in our markets or the worldwide economy;

- a shortfall in revenues or earnings compared to securities analysts expectations;

- our inability to pay cash dividends

- changes in analysts recommendations or projections; and

- our announcement of new acquisitions or other projects.

Changes in interest rates could adversely affect our financial condition and results of operations.

Our results of operations depend substantially on our net interest income, which is the difference between (i) interest income on interest-earning assets, principally loans and investment securities, and (ii) interest expense on deposit accounts and borrowings. These rates are highly sensitive to many factors beyond our control, including general economic conditions, inflation, recession, unemployment, money supply and the policies of various governmental and regulatory authorities. While we have taken measures intended to manage the risks of operating in a changing interest

rate environment, there can be no assurance that these measures will be effective in avoiding undue interest rate risk. Increases in interest rates can affect the value of loans and other assets, including our ability to realize gains on the sale of assets. We originate loans for sale and for our portfolio. Increasing interest rates may reduce the volume of origination of loans for sale and consequently the volume of fee income we earn on such sales. Further, increasing interest rates may adversely affect the ability of borrowers to pay the principal or interest on loans and leases, resulting in an increase in non-performing assets and a reduction of income recognized.

In contrast, decreasing interest rates have the effect of causing clients to refinance mortgage loans faster than anticipated. This causes the value of assets related to the servicing rights on loans sold to be lower than originally anticipated. If this happens, we may need to write down the value of our servicing assets faster, which would accelerate our expense and lower our earnings.

The Corporation relies, in part, on external financing to fund its operations and the availability of such funds in the future could adversely impact its growth strategy and prospects.

The Bank relies on deposits, advances from the FHLB and other borrowings to fund its operations. The Corporation also has previously issued subordinated debentures to raise additional capital to fund its operations. Although the Corporation considers such sources of funds adequate for its current capital needs, the Corporation may seek additional debt or equity capital in the future to achieve its long-term business objectives. The sale of equity or convertible debt securities in the future may be dilutive to the Corporation shareholders, and debt refinancing arrangements may require the Corporation to pledge some of its assets and enter into covenants that would restrict its ability to incur further indebtedness. Additional financing sources, if sought, might be unavailable to the Corporation or, if available, could be on terms unfavorable to it. If additional financing sources are unavailable, not available on reasonable terms or the Corporation is unable to obtain any required regulatory approval for additional debt, the Corporation s growth strategy and future prospects could be adversely impacted.

Credit risks could adversely affect our results of operations.

There are inherent risks associated with our lending activities, including credit risk, which is the risk that borrowers may not repay outstanding loans or that the value of the collateral securing loans will decrease. We extend credit to a variety of customers based on internally set standards and judgment. We attempt to manage credit risk through a program of underwriting standards, the review of certain credit decisions and an on-going process of assessment of the quality of the credit already extended. However, conditions such as inflation, recession, unemployment, changes in interest rates, money supply and other factors beyond our control may increase our credit risk. Such adverse changes in the economy may have a negative impact on the ability of borrowers to repay their loans. Because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral. In addition, substantially all of our loans are to individuals and businesses in Ohio. Consequently, any decline in the economy of this market area could have a materially adverse effect on our financial condition and results of operations.

We operate in an extremely competitive market, and our business will suffer if we are unable to compete effectively.

In our market area, we encounter significant competition from other commercial banks, savings associations, savings banks, insurance companies, consumer finance companies, credit unions, other lenders and with the issuers of commercial paper and other securities, such as shares in money market mutual funds. The increasingly competitive environment is a result primarily of changes in regulation and the accelerating pace of consolidation among financial service providers. Many of our competitors have substantially greater resources and lending limits than we do and may offer services that we do not or cannot provide.

Our ability to pay cash dividends is subject to prior FRB approval.

In March 2009, we entered into a memorandum of understanding (MOU) with the FRB that prohibits the Corporation from paying dividends without the FRB s prior approval. We do not know how long this restriction will remain in place. Even if we are permitted to pay a dividend, we are dependent primarily upon the earnings of our operating subsidiaries for funds to pay dividends on our common stock. The payment of dividends by our subsidiaries is subject to certain regulatory restrictions. Currently, Advantage is prohibited from paying any dividends to Camco without the prior approval of the FDIC and the Ohio Division of Financial Institutions. As a result, any payment of dividends in the future by Camco will be dependent, in large part, on our subsidiaries ability to satisfy these regulatory restrictions and our subsidiaries earnings, capital requirements, financial condition and other factors. Although, in the past, our financial earnings and financial condition have allowed us to declare and pay periodic cash dividends to our stockholders, there can be no assurance that our dividend policy or size of dividend distribution will continue in the future.

The preparation of financial statements requires management to make estimates about matters that are inherently uncertain.

Management s accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods in order to ensure that they comply with generally accepted accounting principles and reflect management s judgment as to the

most appropriate manner in which to record and report our financial condition and results of operations. Two of the most critical estimates are the level of the allowance of loan losses and the valuation of mortgage servicing rights. Due to the inherent nature of these estimates, we cannot provide absolute assurance that we will not significantly increase the allowance for loan losses or sustain loan losses that are significantly higher than the provided allowance, nor that we will not recognize a significant provision for the impairment of mortgage servicing rights.

Our organizational documents may have the effect of discouraging a third party from acquiring us.

Our certificate of incorporation and bylaws contain provisions that make it more difficult for a third party to gain control or acquire us. These provisions also could discourage proxy contests and may make it more difficult for dissident stockholders to elect representatives as directors and take other corporate actions. These provisions of our governing documents may have the effect of delaying, deferring or preventing a transaction or a change in control that might be in the best interest of our stockholders.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to utilize alternative methods to complete financial transactions that historically have involved banks. For example, consumers can now maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on our financial condition and results of operations.

Camco may be named as a defendant from time to time in a variety of litigation and other actions.

Camco or one of its subsidiaries may be named as a defendant from time to time in a variety of litigation arising in the ordinary course of their respective businesses. Such litigation is normally covered by errors and omissions or other appropriate insurance. However, significant litigation could cause Camco to devote substantial time and resources to defending its business or result in judgments or settlements that exceed insurance coverage, which could have a material adverse effect on Camco s financial condition and results of operation. Further, any claims asserted against Camco, regardless of merit or eventual outcome, may harm Camco s reputation and result in loss of business. In addition, Camco may not be able to obtain new or difference insurance coverage, or adequate replacement policies with acceptable terms.

The Corporation s allowance for loan losses may not be adequate to cover actual losses.

The Corporation maintains an allowance for loan losses to provide for loan defaults and non-performance. The Corporation s allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect the Corporation s operating results. The Corporation s allowance for loan losses is based on its historical loss experience, as well as an evaluation of the risks associated with its loans held for investment. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the Corporation s control, and these losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review the Corporation s loans and allowance for loan losses. While the Corporation believes that its allowance for loan losses is adequate to cover current losses, the Corporation could need to increase its allowance for loan losses or regulators could require it to increase this allowance. Either of these occurrences could materially and adversely affect the Corporation s earnings and profitability.

A material breach in Camco s security systems may have a significant effect on Camco s business and reputation.

Camco collects, processes and stores sensitive consumer data by utilizing computer systems and telecommunications networks operated by both Camco and third party service providers. Camco has security and backup and recovery systems in place, as well as a business continuity plan, to ensure the computer systems will not be inoperable, to the extent possible. Camco also has security to prevent unauthorized access to the computer systems and requires its third party service providers to maintain similar controls. However, management cannot be certain that these measures will be successful. A security breach of the computer systems and loss of confidential information, such as customer account numbers and related information, could result in a loss of customers confidence and, thus, loss of business.

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Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table provides the location of, and certain other information pertaining to, Camco s office premises as of December 31, 2009, with dollars in thousands:

Office Location	Year facility commenced operations	Leased or owned	Net book value [1]
134 E. Court Street Washington Court House, Ohio	1963	Owned [2]	$ 532.1
1050 Washington Ave. Washington Court House, Ohio	1996	Owned	476.7
1 N. Plum Street Germantown, Ohio	1998	Owned	450.2
687 West Main Street New Lebanon, Ohio	1998	Owned	56.9
2 East High Street London, Ohio	2004	Owned	530.9
3002 Harrison Avenue Cincinnati, Ohio	2000	Owned	1,040.5
1111 St. Gregory Street Cincinnati, Ohio	2000	Leased [3]	12.7
5071 Glencrossing Way Cincinnati, Ohio	2000	Leased [4]	7.3
126 S. 9th Street Cambridge, Ohio	1998	Owned	74.2
226 Third Street Marietta, Ohio	1976	Owned [5]	521.6
1925 Washington Boulevard Belpre, Ohio	1979	Owned	214.5
478 Pike Street Marietta, Ohio	1998	Leased [6]	495.5
814 Wheeling Avenue Cambridge, Ohio	1963	Owned	1,026.0

327 E. 3rd Street Uhrichsville, Ohio	1975	Owned	59.8
175 N. 11th Street Cambridge, Ohio	1981	Owned	301.4
209 Seneca Avenue Byesville, Ohio	1978	Leased (7)	2.0
547 S. James Street Dover, Ohio	2002	Owned(8)	361.7

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Office Location	Year facility commenced operations	Leased or owned	Net book value [1]
2497 Dixie Highway Ft. Mitchell, Kentucky	2001	Owned	529.6
401-7 Pike Street Covington, Kentucky	2001	Owned	81.0
7550 Dixie Highway Florence, Kentucky	2001	Owned	409.0
6901 Glenn Highway Cambridge, Ohio	1999	Owned[9]	1,126.5
1500 Grand Central Ave.- Suite #102 Vienna, West Virginia	2004	Leased[10]	149.0
123 Southgate Parkway Cambridge, Ohio	2005	Leased[11]	50.9
6360 Tylersville Road Mason, Ohio	2006	Leased[12]	131.5
1104 Eagleton Blvd. London, Ohio	2006	Leased[13]	255.0
828 Wheeling Avenue Cambridge, Ohio	2007	Leased[14]	12.5
440 Polaris Parkway Westerville, OH 43082	2009	Leased[15]	0.0

(1) Net book value amounts are for land, buildings, improvements and construction in progress.

(2) The 134 E. Court Street facility also serves as the Camco Title Washington Court House office.

(3) The lease expires in October 2010.

(4) The lease expires in November 2010.

(5) The 226 Third Street facility also serves as the Camco Title Marietta office.

(6) The lease expires in November 2017. Advantage has the option to renew for two five-year terms. The lease is for land only.

(7) The lease expires in September 2010. Advantage has the option to renew the lease for a five-year term.

(8) The 547 S. James Street facility also serves as the Camco Title Dover office.

(9) The Camco Financial Corporation staff re-located to 814 Wheeling Avenue, Cambridge. Building is currently vacant and listed with a local realtor and under contract.

(10) The lease expires in October 2013. Advantage has the option to renew for three five-year terms.

(11) The lease expires in June 2012. Advantage has the option to purchase at a cost of $120,000.

(12) The lease expires in October 2016. Advantage has the option to renew the lease for two five-year terms.

(13) The lease expires in May 2011. Advantage has the option to renew for three five-year terms.

(14) The lease expires in June 2010. Advantage has the option to renew for two one-year terms. Advantage has the option to purchase at a cost of $185,000 with a 3% escalation.

(15) The lease expires in August 2012.

Camco also owns furniture, fixtures and equipment. The net book value of Camco s investment in office premises and equipment totaled $2.0 million at December 31, 2009. See Note E of Notes to Consolidated Financial Statements in item 8 below.

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Item 3. Legal Proceedings.

Neither Camco nor Advantage is presently engaged in any legal proceedings of a material nature. From time to time, Advantage is involved in legal proceedings to enforce its security interest in collateral taken as security for its loans.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

PART II

Item 5. Stock Information

At February 28, 2010, Camco had 7,205,595 shares of common stock with approximately 2,991 holders of record. Camco s common stock is listed on The Nasdaq Global Market (Nasdaq) under the symbol CAFI. The table below sets forth the high and low daily closing price for the common stock of Camco, together with the dividends declared per share of common stock, for each quarter of 2009 and 2008.

Year ended December 31, 2009	High	Low	Cash Dividends Declared
Quarter ending:			
December 31, 2009 (1)	$ 2.17	$1.51	$0.0000
September 30, 2009 (1)	2.60	2.00	0.0000
June 30, 2009	3.66	1.56	0.0100
March 31, 2009	3.70	0.85	0.0100
Year ended December 31, 2008			
Quarter ending:			
December 31, 2008	$ 9.88	$2.17	$0.0375 *
September 30, 2008	11.75	9.12	0.0000 *
June 30, 2008	12.20	9.85	0.0750
March 31, 2008	11.26	8.93	0.1500

* Beginning in the third quarter of 2008 the timing of dividends was modified to incorporate actual quarter end results prior to the declaration of dividends.

The Board of Directors declared the cash dividend for third quarter on October 13, 2008 and the dividend was paid on

October 31, 2008. The fourth quarter dividend was declared on January 20, 2009.

(1) See Liquidity and Capital Resources in Item 7 of this Form 10-K for discussion of restrictions that materially limit Camco s ability to pay dividends.

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Performance Graph

The following graph compares the cumulative total return on Camco s common stock with the cumulative total return of an index of companies whose shares are traded on Nasdaq and the SNL All Bank & Thrift Index for the same period.

CAMCO FINANCIAL CORPORATION

	Period Ending					
Index	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**	**12/31/08**	**12/31/09**
Camco Financial Corporation	100.00	96.41	89.13	80.94	24.24	15.23
NASDAQ Composite	100.00	101.37	111.03	121.92	72.49	104.31
SNL Bank and Thrift	100.00	101.57	118.68	90.50	52.05	51.35

On January 23, 2009, Camco awarded the Chief Executive Officer and President of Camco 50,000 shares of restricted stock in connection with his employment as Chief Executive Officer and President of Camco. The restricted stock vests over four years in equal installments of 12,500 shares each year, beginning on the first anniversary of the date of the restricted stock award. The restricted stock award was a private placement exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof.

Camco did not repurchase any stock during 2009.

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Item 6. Selected Consolidated Financial Data.

The following tables set forth certain information concerning the consolidated financial position and results of operations of Camco for the periods indicated. This selected consolidated financial data should be read in conjunction with the consolidated financial statements appearing elsewhere in this report.

SELECTED CONSOLIDATED FINANCIAL DATA: (1)

As of December 31:	2009	2008	2007	2006	2005
			(In thousands)		
Total amount of:					
Assets	$842,655	$1,000,446	$1,023,261	$1,048,216	$1,071,248
Interest-bearing deposits in other financial institutions	17,663	35,272	5,432	12,673	11,299
Securities available for sale at market	55,950	85,352	88,919	107,506	109,514
Securities held to maturity	2,113	13,406	2,769	3,449	4,176
Loans receivable net (1)	659,497	758,826	815,271	821,818	841,737
Deposits	659,902	723,956	692,184	684,782	660,242
FHLB advances and other borrowings	109,232	183,833	220,981	257,139	307,223
Stockholders equity	60,514	71,700	88,634	91,092	90,763

SELECTED CONSOLIDATED OPERATING DATA: (1)

For the year ended December 31:	2009	2008	2007	2006	2005
		(In thousands, except per share data)			
Total interest income	$ 44,724	$ 56,783	$ 64,877	$ 62,689	$ 57,078
Total interest expense	20,594	30,974	36,421	32,771	26,529
Net interest income	24,130	25,809	28,456	29,918	30,549
Provision for losses on loans	21,792	14,793	1,495	1,440	1,480
Net interest income after provision for losses on loans	2,338	11,016	26,961	28,478	29,069
Other income	8,261	3,708	6,588	5,033	6,592
General, administrative and other expense	28,113	28,481	26,985	24,910	22,754
Goodwill Impairment		6,683			
Earnings (loss) before federal income taxes (credits)	(17,514)	(20,440)	6,266	8,601	12,907
Federal income taxes (credits)	(6,297)	(5,116)	1,765	2,727	4,141
Net earnings (loss)	$ (11,217)	$ (15,324)	$ 4,501	$ 5,874	$ 8,766
Earnings (loss) per share:					
Basic	$ (1.56)	$ (2.14)	$ .61	$ .78	$ 1.15
Diluted (2)	$ (1.56)	$ (2.14)	$ .61	$ .78	$ 1.15
Dividends declared per share	$ 0.0200	$ 0.2625	$ 0.6000	$ 0.6000	$ 0.5800
Return on average assets (3)	(1.20)%	(1.50)%	0.43%	0.55%	0.82%
Return on average equity (3)	(15.73)	(17.93)	4.98	6.46	9.73
Average equity to average assets (3)	7.63	8.34	8.67	8.58	8.43
Dividend payout ratio (4)	N/A(5)	N/A(5)	98.36	76.92	50.43

(1) Includes loans held for sale.

(2) Represents a pro-forma presentation based upon net earnings from operations divided by weighted-average basic and diluted shares outstanding.

(3) Ratios are based upon the mathematical average of the balances at the end of each month.

(4) Represents dividends per share divided by basic earnings per share.

(5) Not meaningful.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

General

Since its incorporation in 1970, Camco Financial Corporation (Camco or the Corporation) has evolved into a full-service provider of financial products through its subsidiaries, Advantage Bank (Advantage or Bank) and Camco Title Agency. Utilizing a common marketing theme based on Camco s commitment to personalized customer service, Camco has grown from $22.8 million of consolidated assets in 1970 to $843.0 million of consolidated assets at December 31, 2009. Camco s rate of growth is largely attributable to its acquisitions and its continued expansion of product lines from the limited deposit and loan offerings which the Bank could offer in the heavily regulated environment of the 1970s to the wider array of financial service products that commercial banks traditionally offer. Additionally, Camco has enhanced its operational growth, to a lesser extent, by chartering a title insurance agency.

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Management believes that continued success in the financial services industry will be achieved by those institutions with a rigorous dedication to building value-added customer-oriented organizations. Toward this end, each of the Bank s regions has the ability to make local decisions for customer contacts and services, however back-office operations are consolidated and centralized. Based on consumer and business preferences, the Bank s management designs financial service products with a view towards differentiating each of the constituent regions from its competition. Management believes that the Bank regions ability to rapidly adapt to consumer and business needs and preferences is essential to them as community-based financial institutions competing against the larger regional and money-center bank holding companies.

Camco s profitability depends primarily on its level of net interest income, which is the difference between interest income on interest-earning assets, principally loans, mortgage-backed securities and investment securities, and interest expense on deposit accounts and borrowings. In recent years, Camco s operations have also been heavily influenced by its level of other income, including mortgage banking income and other fee income. Camco s operations are also affected by general, administrative and other expenses, including employee compensation and benefits, occupancy expense, data processing, franchise taxes, advertising, other operating expenses and federal income tax expense.

Overview

During 2009, the economic environment for financial services companies continued to be disruptive and challenging. We continued to execute our long-term strategic plan to diversify the balance sheet by strategically working to increase our commercial, commercial real estate and consumer loan portfolios and improve our funding mix by reducing borrowings and increasing transaction-based deposits.

We have found that core deposit growth continues to be challenging. Competition for deposits continues to put pressure on marginal funding costs, despite continued lower rates in 2009. During fiscal 2009, deposits decreased 8.8%, primarily due to our decrease in public funds and brokered deposits. The brokered deposits were not renewed in 2009 as loan balances decreased and cash was utilized to decrease higher yielding non core funding and borrowed funds.

The real estate market in the Midwest continues to create a very challenging environment for most financial institutions. Bankruptcies, foreclosures and unemployment have continued to rise in Ohio. We are working diligently to manage delinquencies and work with our loan customers in order to reduce losses for them, as well as our Corporation. The total loan portfolio decreased $97.6 million for the full year of 2009 as we tightened credit standards and became more selective in underwriting new loans, which coupled with the volatile market conditions and the current economic environment, reduced new loan production.

Nonperforming loans decreased to $36.4 million at the end of 2009 compared to $53.5 million at the end of 2008. The decrease primarily occurred in non-residential loans with all loan categories decreasing to some extent. We continue to deal with the economic challenges in our markets, through our loan charge-offs and provision for loan losses as we recognize the results of these current economic conditions and issues related to higher than normal unemployment. Net charge offs totaled $21.4 million during 2009 and we continue to aggressively work with borrowers to mitigate additional losses.

We believe we are taking significant steps forward in managing our operational efficiency. We are continuing our focus on improving noninterest income and controlling noninterest expense by exiting unprofitable lines of business and refining our operations. We continue to analyze new products to deepen relationships with our customers and improve the structure of our balance sheet.

Forward-Looking Statements

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and this annual 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;
- levels of non-performing assets;
- changes in general interest rates;
- loan demand;
- rapid changes in technology affecting the financial services industry;
- real estate values;
- 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.

Critical Accounting Policies

Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as disclosures found elsewhere in this annual report, are based upon Camco s consolidated financial statements, which are prepared in accordance with US GAAP. The preparation of these financial statements requires Camco to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the

ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under US GAAP.

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.

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).

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

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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.

Summary. We believe the accounting estimates related to the allowance for loan losses, the capitalization, amortization, and valuation of mortgage servicing rights 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.

Discussion of Financial Condition Changes from December 31, 2009 to December 31, 2008

At December 31, 2009, Camco s consolidated assets totaled $842.7 million, a decrease of $157.8 million, or 15.8%, from the December 31, 2008 total. The decrease in total assets was comprised primarily of decreases in loans receivable, securities and cash and interest bearing deposits in other financial institutions which were offset partially by the increase in real estate acquired through foreclosure. We expect asset growth to continue to be limited in the near term as the unemployment rates continue to rise and the economy continues to struggle. Further deterioration of the residential loan market in the Midwest and fewer new purchases may result in a shift in the loan portfolio toward commercial and consumer loans. The current loan rates may continue to contribute to additional profits relating to the sale of fixed rate loans, but due to a slowdown of new purchases it is not likely that the profits will continue to be as strong in 2010. Possible future growth in deposits would most likely be used to reduce outstanding borrowings and brokered deposits or fund commercial loan growth. We believe that the distressed economic environment is expected to continue through the first half of 2010 but we look for commercial loan growth in the latter half of 2010.

Cash and interest-bearing deposits in other financial institutions totaled $38.2 million at December 31, 2009, a decrease of $14.1 million, or 27.0%, from December 31, 2008 levels. This decrease is reflective of our decision to rely on core relationships and discontinuing purchases of brokered deposits and bidding on public funds during 2009.

Securities totaled $58.1 million at December 31, 2009, a decrease of $40.7 million, or 41.2%, from the total at December 31, 2008. Investment security purchases totaled $27.0 million, principal repayments totaling $67.8 million. The yield on securities purchased during the period was 1.66%.

Approximately 20.04% of the securities portfolio is expected to mature or prepay during 2010. We have kept the duration and average life of the securities portfolio very short in order to provide liquidity and to reduce borrowings, when available.

At December 31, 2009, other than $501,000 of municipal bonds, all of our debt securities were issued and guaranteed by US Government sponsored enterprises such as Freddie Mac, Fannie Mae, Ginnie Mae and the FHLB. We held no private-label mortgage-backed securities or collateralized debt obligations.

Loans receivable net and loans held for sale totaled $659.5 million at December 31, 2009, a decrease of $99.3 million, or 13.1%, from the total at December 31, 2008. The decrease resulted primarily from repayments of $204.5 million and loan sales of $108.5 million, a $9.6 million transfers to real estate owned, partially offset by loan disbursements and purchases totaling $245.2 million and an increase of $21.8 million of provision relating to our allowance for loan and leases. Loan origination volume, including purchases of loans, increased from the comparable 2008 period by $62.4 million, or 140.8%, while the volume of loan sales increased by $63.2 million, or 139.3% year to year. The number of loans originated for sale in the secondary market continued to increase in the residential real estate market significantly as rates decreased and customers re-financed at the current lower rates. Instead of selling adjustable rate loans, we have typically held adjustable-rate mortgage loans for investment as an integral part of our strategy.

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Loan originations during the 12 month period were comprised primarily of $117.4 million of loans secured by one- to four-family residential real estate, $94.0 million in commercial loans and $33.8 million in consumer and other loans. Our intent is to expand consumer and commercial real estate lending in future periods as a means of increasing the yield on our loan portfolio and continue with our strategic plan of moving to a more bank like institution. In the near term, however, lending volumes of acceptable risk have diminished somewhat due to a slowing economy and loan repayments have been used to reduce borrowings and maintain liquidity.

During the fourth quarter of 2009, the yield on loans was 6.02%, as the non accrual loans decreased and the portfolio mix continued to shift to higher yielding multi-family, consumer and nonresidential loans. This shift is partially offsetting lower effective rates in the loan portfolio during 2009 due to adjustable rate loans repricing in the current lower rate environment. The overall loan portfolio decreased for the full year of 2009 as the level of charge offs increased and we continued to tighten credit standards and became more selective in underwriting new loans, which significantly reduced new loan production coupled with economic challenges in our markets, particularly in the market for residential real estate.

The allowance for loan losses totaled $16.1 million and $15.7 million at December 31, 2009 and 2008, respectively, representing 44.2% and 29.4% of nonperforming loans at those dates. Nonperforming loans (three monthly payments or more delinquent plus nonaccrual loans) totaled $36.4 million and $53.5 million at December 31, 2009 and 2008, respectively, constituting 5.4% and 6.91% of total net loans, including loans held for sale, at those dates. Net charge-offs totaled $21.4 million for 2009 and were comprised mainly of 1-4 family loans, non residential real estate and commercial.

The following table details delinquent and nonaccrual loans at December 31, 2009 and 2008:

	December 31, 2009			December 31, 2008		
	(In thousands)					
	30 - 89 days delinquent	90+ days delinquent, accruing	Nonaccrual	30 - 89 days delinquent	90+ days delinquent, accruing	Nonaccrual
Residential	$ 4,818	$	$ 16,354	$ 6,419	$ 44	$ 17,203
Multifamily	79		2,047	30		3,139
Non Residential	2,693	2,853	4,151	306		18,057
Construction / development	534	638	4,383	253		8,603
Commercial	92	110	515	453		1,434
HELOC and second mortgage	2,020		5,250	2,434		4,962
Consumer and other	77		148	89		86
Total	$ 10,313	$ 3,601	$ 32,848	$ 9,984	$ 44	$ 53,484

Although we believe that the allowance for loan losses at December 31, 2009 is adequate to cover 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. Ohio registered the nation s twelfth-highest state foreclosure rate in 2009. Additionally, Ohio is experiencing declining values of residential real estate. However, Ohio in general has not experienced significant increases in home values over the past five years like 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 continue to increase the level of future losses beyond our current expectations.

At December 31, 2009, the Corporation s real estate owned (REO) consisted of 132 repossessed properties with a net book value of $9.7 million. Initial loss is recorded as a charge to the allowance for loan losses within 90 days of being transferred to REO. 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 and we continue to aggressively work with borrowers to mitigate additional losses, 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, REO grew $3.8 million during 2009. 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.

Deposits totaled $659.9 million at December 31, 2009 a decrease of $64.1 million, or 8.8% from December 31, 2008. The following table details our deposit portfolio balances and the average rate paid on our deposit portfolio at December 31, 2009, and December 31, 2008:

	December 31, 2009		December 31, 2008 (In thousands)		Change	
	Balance	Rate	Balance	Rate	Balance	Rate
Noninterest-bearing demand	$ 38,911	0.00%	$ 37,526	0.00%	$ 1,388	0.00%
Interest-bearing demand	70,564	0.43	87,199	0.91	(16,635)	(0.48)
Money market	96,172	0.68	112,749	1.35	(16,577)	(0.67)
Savings	36,638	0.25	33,838	0.26	2,800	(0.01)
Certificates of deposit retail	385,622	2.70	413,134	3.75	(27,512)	(1.05)
Certificates of deposit brokered	31,995	3.19	39,510	4.23	(7,515)	(1.04)
Total deposits	$ 659,902	1.89%	$ 723,956	2.71%	$ (64,051)	(0.82)%

The decrease in certificates of deposits and money markets 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. We have 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 help us be more competitive for business checking accounts. See Liquidity and Capital Resources in this MD&A for further discussion on our deposit strategy and additional liquidity risks.

The decrease in retail certificates of deposits is due to customers being rate sensitive and their preference toward higher yielding interest rates. We have reduced the rates offered on some of our accounts and feel we are competitive with current markets and are planning on strategic growth of core relationships . We also believe that if we are able to maintain the certificates of deposit maturing in 2010 the continued decreasing of rates will help to stabilize and possibly reduce our cost of funds. To reduce interest rate risk over the long term, we will increase our efforts to lengthen the duration of our deposit structure and our FHLB borrowings.

We anticipate continuing to pay down brokered deposits in early 2010, in order to maintain the Bank s margin, by growing core deposits. In the future, brokered deposits may be used for liquidity position and contingency funding. However, we acknowledge that brokered deposits are not core, franchise-enhancing deposits, and we do not intend to stray from our strategy of improving the long-term funding mix of the Bank s deposit portfolio by aggregating small business, commercial and retail checking accounts.

Advances from the FHLB and other borrowings decreased by $74.6 million, or 40.6%, to a total of $109.2 million at December 31, 2009. We were able to reduce borrowings as a result of a net decrease in the loan portfolio of $97.6 million and a decrease of $40.7 million in our investment portfolios which was offset partially by decreases in cash balances of $14.1 million from year to year. The Corporation continues to focus on our strategy of growing and replacing a portion of these funding sources with core relationship deposits (checking, savings, money market and CD

accounts) in 2010.

Stockholders equity totaled $60.5 million at December 31, 2009, a decrease of $11.2 million, or 15.6% from December 31, 2008. The decrease resulted primarily from a net loss of $11.2 million and dividends of $143,000.

These decreases were partially offset by, decreasing interest rates that increased the fair value of our investments securities and resulted in an increase in unrealized gains on available for sale securities, net of tax, of $21,000.
The Bank is required to maintain minimum regulatory capital pursuant to the Consent Order of 8%. At December 31, 2009 the Bank s tier one capital was 6.82%.

Comparison of Results of Operations for the Years Ended December 31, 2009 and December 31, 2008

General. Camco s net loss for the year ended December 31, 2009, totaled $11.2 million, a decrease in loss of $4.1 million, or 26.8%, from the $15.3 million of net loss reported in 2008. The decrease in the net loss was primarily due to additional expense in 2008 of $6.7 million in goodwill impairment charges, and additional impairment of $3.4 million in mortgage servicing rights, and $628,000 of expenses relating to the termination of the First Place Financial Corporation merger which was offset partially by a $7.0 million increase in the provision for loan losses and a $1.2 million increase in the federal taxes benefit.

Net Interest Income. Net interest income for the year ended December 31, 2009, amounted to $24.1 million, a decrease of $1.7 million, or 6.5%, compared to 2008, generally reflecting the effects of a $100.7 million decrease in the average balance of interest earning assets. Net interest margin increased to 2.91% for the twelve months ending December 31, 2009 compared to 2.77% for the comparable period in 2008. The increase in net interest margin during the 2009 period, compared to the same period of 2008, was due, nearly equally, to a lower volume of interest-earning assets and a lower yield on those assets offset partially by lower volume of interest-bearing liabilities and a lower cost of interest-bearing liabilities in the 2009 period.

Margin pressure has continued in 2009 due to the yield on assets continuing to decline but, we have continued with our strategies and offset the revenues by decreasing the balances of our borrowed funds. Although we feel the loan portfolio has not grown sufficiently we are currently implementing strategies to increase the volume in 2010 with continual diversification of the loan portfolio and growth in commercial and consumer loan balances as these types of loans are normally higher-yielding assets than adjustable rate mortgages. We also plan to continue to maintain cost of funds by banking our commercial relationships and retrieving deposits instead of borrowing at higher yields.

Interest income on loans totaled $40.2 million for the year ended December 31, 2009, a decrease of $10.2 million, or 20.3%, from the comparable 2008 total. The decrease resulted primarily from a 56 basis point decrease in the average yield, from 6.58% in 2008, to 6.02% in 2009, coupled with a $99.5 million, or 13.0%, decrease in the average balance of loans outstanding year to year. Interest income on securities totaled $3.1 million for the year ended December 31, 2009, a $1.3 million, or 29.4%, decrease from the 2008 period. The decrease was due primarily to a $21.3 million, or 21.7%, decrease in the average balance outstanding, coupled with a 44 basis point decrease in the average yield, to 4.01% in 2009. Interest income on FHLB stock decreased by $155,000, or 10.1%, due primarily to a 61 basis point decrease in the average yield, to 4.62% in 2009 offset partially by a $543,000 increase in the average balance outstanding year to year. Interest income on other interest-bearing deposits decreased by $405,000, or 93.8%, due primarily to a 116 basis point decrease in the average yield, to 0.05% in 2009 offset partially by a $19.5 million, increase in the average balance outstanding year to year.

Interest expense on deposits totaled $15.3 million for the year ended December 31, 2009, a decrease of $7.4 million, or 32.5%, compared to the year ended December 31, 2008, due primarily to a 99 basis point decrease in the average cost of deposits, to 2.32% for 2009, coupled with a $24.3 million, or 3.5%, decrease in the average balance of interest-bearing deposits outstanding year to year. Interest expense on borrowings totaled $5.2 million for the year ended December 31, 2009, a decrease of $3.0 million, or 36.4%, from 2008. The decrease resulted primarily from a $46.2 million, or 23.8%, decrease in the average balance outstanding year to year coupled with a 70 basis point decrease in the average rate to 3.54% in 2009.

Approximately $278.5 million, or 66.68%, of our certificate deposit portfolio will mature during 2010. While this presents an opportunity to continue reducing our cost of funds, (as these deposits are re-pricing in a generally lower interest rate environment) we continue to experience competition for deposits in our market areas. This competition is limiting our ability to further reduce the marginal cost of deposits to a level reflective of the general rate environment. Continued decreases in interest rates have compressed our net interest margin due to the lag in re-pricing between our loan and deposit portfolios. At the same time, the loan portfolio has not grown to offset these tighter spreads. As noted earlier, we plan to continue to diversify the loan portfolio by encouraging growth in

commercial and consumer loan balances. This strategy should slow net interest margin compression as these types of loans are normally higher-yielding assets than conventional mortgage loans and investment securities.

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. Key drivers of the provision are declines in commercial real estate values on existing impaired loans and loan downgrades. The higher allocation in recent quarters primarily reflects the impact of distressed commercial real estate values and general economic conditions on specific reserves for impaired loans, while the elevated level of charge-offs in the fourth quarter and 2009 resulted in higher loss factors and charge offs related to classified loans. The allowance allocated to the real estate and consumer loan categories is based upon Camco s allowance methodology for homogeneous pools of loans. The fluctuations and changes in these allocations are consistent with the changes in loan quality, loss experience and economic factors in each of the loan categories.

Nonperforming loans (three monthly payments or more delinquent plus nonaccrual loans) totaled $32.8 million at December 31, 2009, a decrease from $53.5 million from December 31, 2008. Additionally, net charge offs totaled $21.4 million for the year ended December 31, 2009 compared to $6.6 million, for the year ended December 31, 2008. Based upon an analysis of these factors and the continued uncertain economic outlook, we added $21.8 million to the provision for losses on loans for the twelve months ended December 31, 2009, compared to $14.8 million for the same period in 2008. We believe our classified loans are adequately reserved for at December 31, 2009. However, there can be no assurance that the loan loss allowance will be adequate to absorb losses on known classified assets or that the allowance will be adequate to cover losses on classified assets in the future, understanding that all lending activity contains associated risks of loan losses. In addition, the mix and composition of both portfolio loans and nonperforming loans change from period to period. When the Company sets the allowance for loan losses it is dependent on a detailed analysis of different ratios. As of December 31, 2009 the ratio of allowance for loan losses to nonperforming loans increased from the prior year and our loan reserves also increased, representing 2.38% of total net loans versus 2.04% at December 31, 2008.

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 impairment 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

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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 $8.3 million for the year ended December 31, 2009, an increase of $4.6 million, or 122.8%, compared to 2008. The increase in other income was primarily attributable to a $3.3 million increase in the value of our mortgage servicing rights coupled with a $907,000 increase in gains on sales of loans.

The increase in mortgage servicing rights was due to decreased prepayment speeds. Balances remained consistent year to year at $497.0 million and $497.4 million at December 31, 2009 and 2008 respectively. The servicing portfolios include one-to-four family residential mortgage loans for others, which are primarily sold to Freddie Mac and Fannie Mae.

The increase in gain on sale of loans income for 2009 was due to an increase in loan sales of $63.2 million year to year.

General, Administrative and Other Expense. General, administrative and other expense totaled $28.1 million for the year ended December 31, 2009, a decrease of $7.1 million, or 20.1%, compared to 2008. The decrease was due primarily to a $6.7 million of expense relating to impairment charges taken on goodwill coupled with $628,000 in merger and acquisition related charges in 2008. These decreases were offset partially by an increase of FDIC insurance of $2.1 million in 2009.

The increase in FDIC premiums resulted from increases in premium rates and deposit balances along with the decreased credits issuances in 2008 relating to the reorganization of the Deposit Insurance Fund assessment of premiums by the FDIC.

Federal Income Taxes. The benefit for Federal income taxes totaled $6.3 million for the year ended December 31, 2009, an increase of $1.2 million, compared to the benefit provision recorded in 2008. The effective tax rates amounted to 36.0% and 25.0% for the years ended December 31, 2009 and 2008, respectively. The increase in federal income tax benefit was primarily attributable to tax credits related to our investment in affordable housing partnerships totaling $571,000 in 2009 compared to $198,000 in 2008. Additionally 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 years ended December 31, 2009 and 2008.

Comparison of Results of Operations for the Years Ended December 31, 2008 and December 31, 2007

General. Camco s net loss for the year ended December 31, 2008, totaled $15.3 million, a decrease of $19.8 million, or 440.5%, from the $4.5 million of net income reported in 2007. The decrease in earnings was primarily due to the additional $13.3 million in the provision for loan losses, coupled with a $6.7 million in goodwill impairment charges, impairment of $2.6 million in mortgage servicing rights, $1.0 million relating to write down of real estate owned and $628,000 expenses relating to the termination of the First Place Financial Corporation merger which was offset partially by a $6.9 million decrease in the provision for federal taxes.

Net Interest Income. Net interest income for the year ended December 31, 2008, amounted to $25.8 million, a decrease of $2.6 million, or 9.3%, compared to 2007, generally reflecting the effects of a $27.0 million decrease in the average balance of interest earning assets. Net interest margin fell to 2.77% for the twelve months ending December 31, 2008 compared to 2.97% for the comparable period in 2007. The compression in net interest margin during the 2008 period, compared to the same period of 2007, was due, nearly equally, to a lower volume of interest-earning assets and a lower yield on those assets offset partially by lower cost of interest-bearing liabilities in the 2008 period.

Margin pressure is due to the yield on assets declining at a faster rate than the cost of funds. At the same time, the loan portfolio has not grown sufficiently to offset the tighter spreads to result in higher net interest income. While loan production has slowed, we continue to diversify the loan portfolio by encouraging continued growth in commercial and consumer loan balances as these types of loans are normally higher-yielding assets than adjustable rate mortgage loans.

Interest income on loans totaled $50.4 million for the year ended December 31, 2008, a decrease of $7.5 million, or 13.0%, from the comparable 2007 total. The decrease resulted primarily from a 52 basis point decrease in the average yield, from 7.10% in 2007, to 6.58% in 2008, coupled with a $49.4 million, or 6.1%, decrease in the average balance of loans outstanding year to year. Interest income on securities totaled $4.4 million for the year ended December 31, 2008, a $226,000, or 4.9%, decrease from the 2007 period. The decrease was due primarily to a $5.8 million, or 5.5%, decrease in the average balance outstanding, partially offset by a 3 basis point increase in the average yield, to 4.45% in 2008. Interest income on FHLB stock decreased by $359,000, or 18.9%, due primarily to a 137 basis point decrease in the average yield, to 5.23% in 2008 offset partially by a $623,000 increase in the average balance outstanding year to year. Interest income on other interest-bearing deposits was the same from year to year which included a 415 basis point decrease in the average yield to 1.21% in 2008 offset by a $27.6 million, or 342.9% decrease in the average outstanding balance year to year.

Interest expense on deposits totaled $22.7 million for the year ended December 31, 2008, a decrease of $2.7 million, or 10.6%, compared to the year ended December 31, 2007, due primarily to a 59 basis point decrease in the average cost of deposits, to 3.31% for 2008, offset partially by a $33.4 million, or 5.1%, increase in the average balance of interest-bearing deposits outstanding year to year. Interest expense on borrowings totaled $8.2 million for the year ended December 31, 2008, a decrease of $2.7 million, or 25.0%, from 2007. The decrease resulted primarily from a $55.3 million, or 22.2%, decrease in the average balance outstanding year to year coupled with a 16 basis point decrease in the average rate to 4.24% in 2008.

Approximately $289.0 million, or 63.8%, of our certificate deposit portfolio will mature during 2009. While this presents an opportunity, to continue to reduce our cost of funds since, these deposits are re-pricing in a generally lower interest rate environment, we continue to experience competition for deposits in our market areas, which is limiting our ability to quickly reduce the marginal cost of deposits to a level reflective of the general rate environment. Previous decreases in the Prime rate have continued to compress our net interest margin due to the lag in re-pricing between our loan and deposit portfolios. At the same time, the loan portfolio has not grown to offset these tighter spreads. As noted earlier, we plan to continue to diversify the loan portfolio by encouraging growth in commercial and consumer loan balances. This strategy should slow net interest margin compression as these types of loans are normally higher-yielding assets than conventional mortgage loans and investment securities.

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. Based upon an analysis of these factors, management recorded a provision for losses on loans totaling $14.8 million for the year ended December 31, 2008, an increase of $13.3 million, from the provision recorded in 2007. The increase in provision was due to economic conditions relating to higher unemployment statistics, increasing foreclosures in Ohio and increased charge offs which was coupled with increased classified assets.

Other Income. Other income totaled $3.7 million for the year ended December 31, 2008, a decrease of $2.9 million, or 43.7%, compared to 2007. The decrease in other income was primarily attributable to a $2.6 million decrease in the value of our mortgage servicing rights coupled with a $293,000 decrease in title fee and rent and other income.

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The decrease in mortgage servicing rights was due to increased volatility in the market, which in turn increased the prepayment speeds utilized to value the portfolio. At December 31, 2008, we serviced $497.4 million of one-to-four family residential mortgage loans for others, primarily Freddie Mac and Fannie Mae, which declined from $516.0 million at December 31, 2007.

The decrease in rent and other income for 2008 was due to a decrease in loan prepayment penalties of $187,000 coupled with decreased income from our title insurance agency which fell $173,000 in 2008 due to the significant slowdown in home sales and related mortgage loan volume.

General, Administrative and Other Expense. General, administrative and other expense totaled $35.2 million for the year ended December 31, 2008, an increase of $7.9 million, or 28.9%, compared to 2007. The increase was due primarily to a $6.7 million impairment charge taken on goodwill coupled with the write down of real estate owned properties of $1.0 million and $628,000 in merger and acquisition related charges. Core noninterest expense excluding merger and goodwill impairment charges totaled $27.9 million for the year ended December 31, 2008, an increase of $570,000 or 2.1% increase. The increase in core non interest expense was primarily due to increased FDIC premiums and the write down of real estate owned which were partially offset by decreases in advertising, supplies, travel and training and loan and deposit expenses.

The goodwill impairment charge is reflective of the most recent testing valuation as of September 30, 2008, and utilizing subsequent events through December 21, 2008, which indicated the fair value of the reporting unit was fully impaired as of December 31, 2008.

The increase in FDIC premiums resulted from increases in premium rates and deposit balances along with the decreased credits issuances in 2008 relating to the reorganization of the Deposit Insurance Fund assessment of premiums by the Federal Deposit Insurance Corporation.

The increase in real estate owned and other expense is reflective of falling real estate values that negatively impacted our portfolio value and caused a write down to fair market value coupled with additional properties taken in to real estate owned due to foreclosures in 2008. Approximately one of every 448 households in Ohio were in foreclosure at December 31, 2008. Additionally, as noted earlier, home values in Ohio have continued to decline from previous levels. These factors, compounded by an uncertain economic outlook and increasing unemployment, may result in continued expenses in 2009. This was coupled with additional costs relating to bank paid PMI insurance linked to a new product offering in 2008.

While advertising, supplies and travel and training expenses have decreased, it is not foreseeable that they will continue to be at these lower levels due to much of the decrease was related to the announced merger with First Place that was terminated November 2008.

Federal Income Taxes. The benefit for Federal income taxes totaled $5.1 million for the year ended December 31, 2008, a decrease of $6.9 million, compared to the provision recorded in 2007. The effective tax rates amounted to 25.0% and 28.2% for the years ended December 31, 2008 and 2007, respectively. The decrease in federal income tax expense was primarily attributable to a $26.7 million decrease in pre-tax earnings. Tax credits related to our investment in affordable housing partnerships totaled $198,000 in 2008, additionally 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 years ended December 31, 2008 and 2007.

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AVERAGE BALANCE, YIELD, RATE AND VOLUME DATA

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. Some items in the prior-year financial statements were reclassified to conform to the current year s presentation, including the reclassification of nonaccrual loans, mortgage servicing rights and the allowance for loan losses from Loans receivable to Noninterest-earning assets.

	Year ended December 31,								
	2009			2008			2007		
	Average outstanding balance	**Interest earned / paid**	**Avg yield/ rate**	**Average outstanding balance**	**Interest earned / paid**	**Avg yield/ rate**	**Average outstanding balance**	**Interest earned / paid**	**Average yield/ Rate**
	(Dollars in thousands)								
Interest-earning assets:									
Loans receivable [1]	$ 667,746	$ 40,231	6.02%	$ 767,202	$ 50,446	6.58%	$ 816,637	$ 57,955	7.10%
Securities [2]	76,886	3,085	4.01%	98,212	4,369	4.45%	103,962	4,595	4.42%
FHLB Stock	29,888	1,381	4.62%	29,345	1,536	5.23%	28,722	1,895	6.60%
Interest-bearing deposits and other	55,074	27	0.05%	35,610	432	1.21%	8,041	432	5.36%
Total interest-earning assets	829,594	44,724	5.39%	930,369	56,783	6.10%	957,362	64,877	6.78%
Noninterest-earning assets [3]	105,626			94,220			87,949		
Total Average Assets	**$ 935,220**			**$ 1,024,597**			**$ 1,045,311**		
Interest-bearing liabilities:									
Deposits	$ 661,806	$ 15,349	2.32%	$ 686,116	$ 22,728	3.31%	$ 652,711	$ 25,429	3.90%
FHLB advances and other	148,223	5,245	3.54%	194,458	8,246	4.24%	249,793	10,992	4.40%
Total interest-bearing liabilities	810,029	20,594	2.54%	880,574	30,974	3.52%	902,504	36,421	4.04%
Noninterest-bearing deposits	37,256			37,918			35,919		
Noninterest-bearing liabilities	16,606			20,619			16,418		
Total Average Liabilities	863,891			939,111			954,841		
Total Average Shareholders equity	71,329			85,486			90,470		
	$ 935,220	**$ 24,130**	2.85%	**$ 1,024,597**	**$ 25,809**	2.58%	**$ 1,045,311**	**$ 28,456**	2.74%

Net interest income/Interest rate spread			
Net interest margin [4]	2.91%	2.77%	2.97%
Average interest-earning assets to average interest-bearing liabilities	105.42%	105.65%	106.08%

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

(2) Includes securities designated as available for sale and held to maturity

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

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

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Rate/Volume Table

The following table describes the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected Camco s interest income and expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (change in volume multiplied by prior year rate), (ii) changes in rate (change in rate multiplied by prior year volume) and (iii) total changes in rate and volume.

	2009 Increase/(decrease) due to			2008 Increase/(decrease) due to		
Year ended December 31	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
			(In thousands)			
Interest income attributable to:						
Loans receivable [1]	$ (6,207)	$ (4,008)	$ (10,215)	$ (3,391)	$ (4,118)	$ (7,509)
Securities	(885)	(399)	(1,284)	(257)	31	(226)
Interest-bearing deposits and other	565	(1,125)	(560)	42	(401)	(359)
Total interest income	(6,527)	(5,532)	(12,059)	(3,606)	(4,488)	(8,094)
Interest expense attributable to:						
Deposits	(780)	(6,599)	(7,379)	1,403	(4,104)	(2,701)
Borrowings	(1,769)	(1,232)	(3,001)	(2,359)	(387)	(2,746)