CAMCO FINANCIAL CORP
Form 10-K
March 15, 2006

Table of Contents

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, 2005

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)

6901 Glenn Highway, 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:

None	None
(Title of Each Class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1 par value per share
(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 Exchange Act 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K ($229.405 of this chapter) 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. þ

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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, 2005, was $104.0 million. (The exclusion from such amount of the market value of

the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

There were 7,578,713 shares of the registrant s common stock outstanding on February 6, 2006.

Table of Contents

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of Form 10-K: Portions of the Proxy Statement for the 2006 Annual Meeting of Stockholders

TABLE OF CONTENTS

PART I
- Item 1. Business.
- Item 1A. Risk Factors
- Item 1B. Unresolved Staff Comments
- Item 2.Properties
- Item 3. Legal Proceedings
- Item 4. Submission of Matters to a Vote of Security Holders

PART II
- Item 5. Market for Registrant s Common Stock, Related Stockholder Matters and Issuer Purchases of Common Stock
- Item 6. Selected Consolidated Financial Data
- Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations
- Item 7A. Quantitative and Qualitative Disclosures About Market Risk.
- Item 8. Financial Statements and Supplementary Data.
- Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
- Item 9A. Controls and Procedures
- Item 9B. Other Information.

PART III
- Item 10. Directors and Executive Officers of the Registrant.
- Item 11. Executive Compensation.
- Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
- Item 13. Certain Relationships and Related Transactions.
- Item 14. Principal Accountant Fees and Services.

PART IV
- Item 15. Exhibits and Financial Statement Schedules.

SIGNATURES

INDEX TO EXHIBITS

EX-10(XVI)

EX-10(XVII)

EX-23

EX-23(I)

EX-31(I)

EX-31(II)

EX-32(I)

EX-32(II)

Table of Contents

PART I

Item 1. Business.

General

Camco Financial Corporation (Camco) is a financial holding company which 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 (Cambridge Savings Bank, Marietta Savings Bank, First Savings Bank, First Bank for Savings and Westwood Homestead Savings Bank) serving distinct geographic areas. The branch office groups in each of the regions previously served by the five subsidiary banks now operate as divisions 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 (London) 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 instead of an Ohio savings bank. Further, Camco converted from an OTS regulated thrift holding company to a financial holding company regulated by the Federal Reserve Board.

During the last five years, Camco completed two business combinations in addition to the London transaction, each of which was accounted for using the purchase method of accounting and, therefore, the financial information for prior periods have not been restated. During 2000, Camco completed a business combination with Westwood Homestead Financial Corporation (WHFC) and its wholly-owned subsidiary, Westwood Homestead Savings Bank and, in November 2001, Camco completed a business combination with Columbia Financial of Kentucky, Inc. (Columbia Financial), and its wholly-owned subsidiary, Columbia Federal Savings Bank.

In December 2004, Advantage sold its Ashland, Kentucky division, consisting of two branches.

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 Savings Association Insurance Fund (the SAIF) 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, 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 transaction-based deposits.

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, contains a hyperlink to the Securities and Exchange Commission s EDGAR website where 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 are available free of charge as soon as reasonably practicable after Camco has filed the report with the SEC.

Table of Contents

Lending Activities

General. Camco s lending activities include the origination of commercial real estate and business loans, consumer loans, residential conventional fixed-rate and variable-rate mortgage loans for the construction, acquisition or refinancing of single-family 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.

Loan Portfolio Composition. The following table presents certain information regarding the composition of Camco s loan portfolio, including loans held for sale, at the dates indicated:

	At December 31,									
	2005		2004		2003		2002		2001	
	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)									
ype of loan:										
xisting residential roperties[1]	$ 591,407	69.7%	$ 603,722	72.1%	$ 652,953	81.1%	$ 641,464	80.5%	$ 705,056	80.9%
onstruction	74,601	8.8	75,055	9.0	44,189	5.5	33,122	4.1	42,666	4.9
onresidential real estate	105,380	12.4	105,247	12.6	51,533	6.4	74,094	9.3	70,239	8.1
eveloped building lots	23,262	2.7	15,854	1.9	1,725	0.2	535	0.1	5,908	0.7
onsumer and other loans[2]	94,547	11.1	84,550	10.1	78,155	9.7	67,712	8.5	69,116	7.9
otal	889,197	104.7	884,428	105.7	828,555	102.9	816,927	102.5	892,985	102.5
ess:										
ndisbursed loans in process	(33,262)	(3.9)	(40,349)	(4.8)	(17,022)	(2.1)	(13,089)	(1.6)	(15,343)	(1.8)
namortized yield djustments	(266)	(0.0)	(937)	(0.1)	(810)	(0.1)	(1,390)	(0.2)	(1,940)	(0.2)
llowance for loan losses	(6,959)	(0.8)	(6,476)	(0.8)	(5,641)	(0.7)	(5,490)	(0.7)	(4,256)	(0.5)
otal loans, net	$ 848,710	100.0%	$ 836,666	100.0%	$ 805,082	100.0%	$ 796,958	100.0%	$ 871,446	100.0%

(1) Includes loans held for sale, home equity lines of credit and mortgage servicing rights.

(2) Includes second mortgage, multifamily and commercial loans.

Table of Contents

Loan Maturity Schedule. The following table sets forth certain information as of December 31, 2005, 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 during the year ending December 31, 2006	Due in years 2007 2011	Due in years after 2011	Total
		(In thousands)		
Real estate loans [1]:				
One- to four-family	10,812	80,544	521,800	613,156
Multifamily	4,402	1,463	46,588	52,453
Nonresidential	9,463	16,448	97,788	123,699
Commercial	6,227	6,201	8,530	20,958
Consumer and other loans [2]	14,739	14,563	7,447	36,749
Total	$ 45,643	$ 119,219	$ 682,153	$ 847,015

(1) Excludes loans held for sale of $1.9 million and does not consider the effects of unamortized yield adjustments of $266,000, the allowance for loan losses of $7.0 million and mortgage-servicing rights totaling $7.0 million.

(2) Includes loans secured by developed building lots.

The following table sets forth at December 31, 2005, the dollar amount of all loans due after one year from December 31, 2005, which have fixed or adjustable interest rates:

Due after

	December 31, 2006 (In thousands)
Fixed rate of interest	$ 227,119
Adjustable rate of interest	574,253
Total	$ 801,372

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 significant 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. At December 31, 2005, 69.7% of the total outstanding loans consisted of loans secured by mortgages on one- to four-family residential.

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 on single-family residences up to 95% of the value of the real estate and improvements. Advantage generally requires the borrower on each loan which has an LTV in excess of 80% to obtain private mortgage insurance or a guarantee by a federal agency. Advantage does allow, on an exception basis, borrowers to exceed LTV of 80% without private mortgage 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 the one-year and three-year United States Treasury bill rates, adjusted to a constant maturity, as the index for their one-year and three-year adjustable-rate loans, respectively. Advantage has used LIBOR as an additional index on certain loan programs to

begin to diversify its concentrations of indices that may prove beneficial during repricing of loans throughout changing economic cycles. The initial interest rates for three-year and five-year ARMs are set slightly higher than for the one-year ARM to compensate for the reduced interest rate sensitivity. The maximum adjustment 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 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 emphasizes the origination of ARMs and generally sells fixed-rate loans when conditions favor such a sale. 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.

Of the total mortgage loans originated by Advantage during the year ended December 31, 2005, 59.3% were ARMS and 40.7% were fixed-rate loans. Adjustable-rate loans comprised 71.6% of Advantage s total loans outstanding l at December 31, 2005.

Construction 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. At December 31, 2005, a total of $74.6 million, or approximately 8.8% of Advantage s total loans, consisted of construction loans, primarily for one- to four-family properties.

Construction loans to owner-occupants are 30-year fixed rate, 15-year fixed rate, or seven-year balloon loans or adjustable-rate long-term loans on which the borrower pays only interest on the disbursed portion during the construction period. Some construction loans to builders, however, have terms of up to 24 months at fixed or adjustable rates of interest.

Construction loans for investment properties involve greater underwriting and default risks to Advantage 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 Loan-to-Value Ratios. In the event a default on a construction loan occurs and foreclosure follows, Advantage could be adversely affected in that it would have to take control of the project and attempt either to arrange for completion of construction or dispose of the unfinished project. At December 31, 2005, Advantage had six construction loans in the total amount of $811,000 on investment properties.

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 generally made on an adjustable-rate basis for terms of up to 25 years. Nonresidential real estate loans originated by Advantage generally have an LTV of 80% or less. The largest nonresidential real estate loan outstanding at December 31, 2005, was a $5.8 million loan secured by a health care facility. Nonresidential real estate loans comprised $105.4 million, or 12.4% of total loans at December 31, 2005.

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.

Table of Contents

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 generally made at a variable rate of interest for terms of up to 10 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. Included in consumer and other loans is approximately $51.5 million of multifamily loans of which the largest is $3.0 million secured by an apartment building. At December 31, 2005, education, consumer and other loans constituted $22.1 million of Camco s total loans.

Developed Building Lots. Advantage originates loans secured by developed building lots. These loans generally are made on an adjustable-rate basis for terms of up to five years. Developed building lots generally have an LTV of 75% or less.

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 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 is decentralized, with each of Advantage s divisions having autonomy in loan processing and approval for its respective market area. Mortgage loan applications from potential borrowers are taken by one of the loan officers of the division originating the loan, after which they are forwarded to the division s loan department for processing. On new loans, 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, if any. 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 approved by the loan officer up to such officer s maximum loan approval authority. Loans above an individual s authority receive additional approval by officers with higher 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, if any.

Loan Originations, Purchases and Sales. Advantage has been actively originating new 30-year, 15-year, 10-year fixed-rate and seven-year balloon real estate loans as well as adjustable-rate real estate loans, consumer loans and commercial loans. 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 generally services the loan by collecting monthly payments of principal and interest and forwarding such payments to the investor, net of a servicing fee. During the year ended December 31, 2005, Advantage also sold loans with servicing released. 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, 2005, Advantage sold approximately $69.7 million in loans. Advantage recognized a gain of $1.0 million in mortgage servicing rights during 2005, while amortization of mortgage servicing rights totaled $972,000 for the year ended December 31, 2005.

Table of Contents

From time to time, Advantage sells participation interests in mortgage 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 $40.4 million at December 31, 2005. Loans which Advantage purchases must meet or exceed the underwriting standards for loans originated by Advantage.

In recent years, Advantage has purchased mortgage-backed securities insured or guaranteed by U.S. Government agencies in order to improve Camco s asset yield by profitably investing excess funds. Advantage intends to continue to purchase such mortgage-backed securities when conditions favor such an investment. See Investment Activities.

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

	Year ended December 31,				
	2005	2004	2003	2002	2001
			(In thousands)		
Loans originated:					
Construction	$ 45,066	$ 45,826	$ 37,791	$ 54,114	$ 35,330
Permanent	121,033	164,540	422,021	447,379	240,625
Consumer and other	234,214	126,168	147,668	70,772	83,126
Total loans originated	400,313	336,534	607,480	572,265	359,081
Loans purchased [1]	14,490	70,602	126,006	116,306	17,755
Reduction					
Principal repayments [1]	344,344	243,074	407,521	441,419	273,212
Loans sold [1]	69,734	130,801	337,376	239,636	215,289
Transfers from loans to real estate owned	3,725	6,591	4,010	1,270	3,208
Total reductions	(417,803)	(380,466)	(748,907)	(682,325)	(491,709)
Increase (decrease) in other items, net [2]	(1,559)	(2,655)	(8,167)	(1,142)	(3,162)
Decrease due to sales [3]		(42,634)			
Increase due to mergers [4]		49,050			81,426
Net increase (decrease)	$ (4,559)	$ 30,431	$ (23,588)	$ 5,104	$ (36,609)

(1) Includes mortgage-backed securities.

(2) Other items primarily consist of amortization of deferred loan origination fees, the provision for

losses on loans and unrealized gains on mortgage-backed securities designated as available for sale.

(3) The 2004 decrease resulted from the sale of the Ashland division.

(4) The 2001 increase resulted from the acquisition of Columbia Financial and the 2004 increase resulted from the acquisition of London.

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, 2005, was approximately $12.5 million. The largest amount Advantage had outstanding to one borrower and related persons or entities at December 31, 2005, was $8.1 million, which consisted of 9 loans secured by various types of commercial real estate, including commercial real estate in development and building lots.

Table of Contents

Loan Origination and Other Fees. In addition to interest earned on loans, Advantage may receive loan origination fees or points of generally up to 2.0% of 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 in accordance with Statement of Financial Accounting Standards (SFAS) No. 91.

Delinquent Loans, Nonperforming Assets and Classified Assets. Advantage attempts to minimize loan delinquencies through the assessment of late charges and adherence to established collection procedures. 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 productive.

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 value is not less than carrying value, and any write-down resulting therefrom 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,				
	2005	2004	2003	2002	2001
	(Dollars in thousands)				
Loans delinquent for:					
30 to 89 days	$ 9,490	$ 12,302	$ 8,682	$ 10,524	$ 14,238
90 or more days	13,922	9,794	13,608	13,625	7,885
Total delinquent loans	$ 23,412	$ 22,096	$ 22,290	$ 24,149	$ 22,123
Ratio of total delinquent loans to total net loans [1]	2.76%	2.64%	2.77%	3.03%	2.54%

(1) Total net loans includes loans held for sale.

Table of Contents

Nonaccrual status denotes loans greater than 90 days past due 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 collectibility 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,				
	2005	2004	2003	2002	2001
	(Dollars in thousands)				
Loans accounted for on nonaccrual basis:					
Real estate:					
Residential	$ 10,267	$ 7,922	$ 12,135	$ 11,021	$ 3,677
Nonresidential	3,109	463	357	1,726	367
Commercial	387				
Consumer and other	159	1,409	1,116	878	393
Total nonaccrual loans	13,922	9,794	13,608	13,625	4,437
Accruing loans delinquent 90 days or more:					
Real estate:					
Residential					2,564
Nonresidential					206
Consumer and other					678
Total loans 90 days past due					3,448
Total nonperforming loans	$ 13,922	$ 9,794	$ 13,608	$ 13,625	$ 7,885
Allowance for loan losses	$ 6,959	$ 6,476	$ 5,641	$ 5,490	$ 4,256
Nonperforming loans as a percent of total net loans (1)	1.64%	1.17%	1.69%	1.71%	.90%
Allowance for loan losses as a percent of nonperforming loans	50.0%	66.1%	41.5%	40.3%	54.0%

(1) Includes loans held for sale.

The amount of interest income that would have been recorded had nonaccrual loans performed in accordance with contractual terms totaled approximately $685,000 for the year ended December 31, 2005. Interest collected on such loans and included in net earnings was $189,000.

At December 31, 2005, there were no loans which were not classified as nonaccrual, 90 days past due or restructured which management considered classifying in the near future due to concerns as to the ability of the

borrowers to comply with repayment terms. Management changed the policy for designating loans as nonaccrual during 2002 to include all loans greater than 90 days past due.

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 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. Federal regulations provide for the reclassification of real estate assets by federal examiners.

Table of Contents

At December 31, 2005, the aggregate amounts of Camco s classified assets excluding impaired loans were as follows:

	At December 31, 2005 (In thousands)
Classified assets:	
Substandard	$ 8,120
Doubtful	3
Loss	17
Total classified assets	$ 8,140

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 $3.1 million designated as special mention at December 31, 2005.

Allowance for Loan Losses. The allowance for loan losses is maintained at 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 collectibility of the Bank s loan portfolio. The following table sets forth an analysis of Advantage s allowance for loan losses:

	Year ended December 31,				
	2005	2004	2003	2002	2001
	(Dollars in thousands)				
Balance at beginning of year	$ 6,476	$ 5,641	$ 5,490	$ 4,256	$ 2,906
Charge-offs:					
1-4 family residential real estate	877	1,142	509	134	66
Multifamily and nonresidential real estate	146	25	418		12
Consumer and other	257	430	392	73	657
Total charge-offs	1,280	1,597	1,319	207	735
Recoveries:					
1-4 family residential real estate	265	180	17	23	3
Consumer and other	18	9	7	249	23
Total recoveries	283	189	24	272	26
Net (charge-offs) recoveries	(997)	(1,408)	(1,295)	65	(709)
Provision for losses on loans	1,480	1,620	1,446	1,169	759
Increase attributable to mergers (1)		623			1,300
Balance at end of year	$ 6,959	$ 6,476	$ 5,641	$ 5,490	$ 4,256
Net (charge-offs) recoveries to average loans	(.12)%	(.17)%	(.17)%	.01%	(.08)%

(1) The 2004 increase resulted from the acquisition of London and the 2001 increase resulted from the acquisition of Columbia Financial.

Table of Contents

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,									
	2005		2004		2003		2002		2001	
	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)									
Balance at year end applicable to:										
Secured loans	$ 5,262	95.8%	$ 4,915	94.9%	$ 4,452	90.3%	$ 4,910	91.5%	$ 3,418	92.1%
Unsecured loans	1,697	4.2	1,561	5.1	1,189	9.7	580	8.5	838	7.9
Total	$ 6,959	100.0%	$ 6,476	100.0%	$ 5,641	100.0%	$ 5,490	100.0%	$ 4,256	100.0%

Investment and Mortgage-Backed Securities Activities

Federal regulations require that Advantage maintain a minimum amount of liquid assets, which may be invested in United States Treasury obligations, securities of various agencies of the federal government, certificates of deposit at insured banks, bankers acceptances and federal funds sold. Advantage is also permitted to make limited investments in commercial paper, corporate debt securities and certain mutual funds, as well as other investments permitted by federal laws and regulations.

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

	At December 31,											
	2005				2004				2003			
	Amortized cost	% of total	Fair value	% of total	Amortized cost	% of total	Fair value	% of total	Amortized cost	% of total	Fair value	% tot
	(Dollars in thousands)											
to maturity:												
Government y ations	$	%	$	%	$ 2,999	2.8%	$ 2,997	2.7%	$	%	$	
cipal bonds	919	0 .8	947	0.8	1,124	1.0	1,177	1.1	1,130	1.0	1,204	
gage-backed ities	3,257	2.8	3,251	2.9	4,146	3.8	4,188	3.9	7,704	6.8	7,839	
	4,176	3.6	4,198	3.7	8,269	7.6	8,362	7.7	8,834	7.8	9,043	
able for												
	47,993	41.3	47,374	41.7	18,007	16.6	17,921	16.5	25,640	22.6	25,881	2

Government y ations												
cipal bonds	346	0.3	348	0.3	523	0.5	536	0.5	625	.05	651	
orate equity ities	159	0.1	185	0.1	247	0.2	387	0.4	330	0.3	476	
ury					999	0.9	995	0.9				
gage-backed ities	63,536	54.7	61,607	54.2	80,782	74.2	80,321	74.0	78,017	68.8	77,916	6
	112,034	96.4	109,514	96.3	100,558	92.4	100,160	92.3	104,612	92.2	104,924	9
investments gage-backed ities	$ 116,210	100.0%	$ 113,712	100.0%	$ 108,827	100.0%	$ 108,522	100.0%	$ 113,446	100.0%	$ 113,967	10

The following table presents the contractual maturities or terms to repricing of Camco s investment securities, except its stock in the FHLB of Cincinnati and corporate equity securities, and the weighted-average yields at December 31, 2005:

	At December 31, 2005										
	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 Agency obligations	$ 4,000	3.08%	$ 43,993	3.97%	$	%	$	%	$ 47,993	$ 47,374	3.90%
Municipal bonds	262	4.74	661	5.39	252	6.15	90	9.89	1,265	1,295	5.73
Mortgage-backed securities	7	8.00	19,936	4.08	29,620	3.88	17,230	4.44	66,793	64,858	4.08
Total	$ 4,269	3.19%	$ 64,590	4.02%	$ 29,872	3.90%	$ 17,320	4.47%	$ 116,051	$ 113,527	4.02%

Deposits and Borrowings

General. Deposits have traditionally been the 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, term certificate accounts and retirement savings plans. 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. Interest rates paid by Advantage on deposits are not limited by federal or state law or regulation. Advantage generally does not offer premiums to attract deposits. Advantage does not have a significant amount of savings accounts from outside its primary market areas.

Table of Contents

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,						
	2005			2004		2003	
	Weighted-average rate at 12/31/05	Amount	Percent of total deposits	Amount	Percent of total deposits	Amount	Percent of total deposits
	(Dollars in thousands)						
Withdrawable accounts:							
Interest-bearing and non-interest bearing checking accounts	0.87%	$ 149,557	22.7%	$ 151,847	22.8%	$ 105,469	15.7%
Money market demand accounts	2.07	58,995	8.9	83,063	12.4	128,938	19.2
Passbook and statement savings accounts	0.25	61,356	9.3	70,959	10.6	74,274	11.1
Total withdrawable accounts	0.89	269,908	40.9	305,869	45.8	308,681	46.0
Certificate accounts:							
Term:							
Six months to one year	3.50	26,039	3.9	19,115	2.9	18,966	2.8
One to two years	3.49	141,567	21.4	77,913	11.7	61,186	9.1
Two to eight years	3.88	120,227	18.2	148,351	22.2	174,487	26.0
Negotiated rate certificates	3.83	41,224	6.3	55,845	8.3	40,670	6.1
Individual retirement accounts	3.88	61,277	9.3	60,685	9.1	67,284	10.0
Total certificate accounts	3.71	390,334	59.1	361,909	54.2	362,593	54.0
Total deposits	2.55%	$ 660,242	100.0%	$ 667,778	100.0%	$ 671,274	100.0%

The following table presents the amount and contractual maturities of Camco s time deposits at December 31, 2005:

	Amount Due				
	Up to one year	1-3 years	3-5 years	Over 5 years	Total
	(Dollars in thousands)				
Amount maturing	$ 239,435	$ 120,748	$ 29,081	$ 1,070	$ 390,334
Average rate	3.48%	4.03%	4.22%	4.79%	3.71%

The following table sets forth the amount and maturities of Advantage s time deposits in excess of $100,000 at December 31, 2005:

Maturity	At December 31, 2005 (In thousands)
Three months or less	$ 24,386
Over three to six months	32,487
Over six to twelve months	17,056
Over twelve months	24,688
Total	$ 98,617

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.

Table of Contents

The following table sets forth the maximum amount of Camco s FHLB advances outstanding at any month end during the periods shown and the average aggregate balances of FHLB advances for such periods:

	Year ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Maximum amount outstanding	$ 306,887	$ 295,310	$ 280,298
Average amount outstanding	$ 294,397	$ 277,576	$ 273,147
Weighted-average interest cost of FHLB advances based on month end balances	3.74%	4.89%	5.56%

The following table sets forth certain information with respect to Camco s FHLB advances at the dates indicated:

	At December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Amount outstanding	$ 294,357	$ 295,310	$ 262,735
Weighted-average interest rate	3.94%	3.63%	5.13%

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, 2005.

Employees

As of December 31, 2005, Camco had 275 full-time employees and 33 part-time employees. Camco believes that relations with its employees are good. Camco offers health and disability benefits and a 401(k) salary savings plan. None of the employees of Camco are represented by a collective bargaining unit.

Table of Contents

REGULATION

General

As a financial 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 subject to regulation by the Division 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 periodically 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 savings, mortgage lending and other investment activities. Periodic examinations by the Division are usually conducted on a joint basis with the federal examiners. Ohio law requires that Advantage maintain federal deposit insurance as a condition of doing business. The ability of Ohio 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 savings banks. Ultimately, if the grounds provided by law exist, the Division may place an Ohio 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 Federal Reserve System (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 banking and thrift industries. The FDIC administers two separate insurance funds, the Bank Insurance Fund (BIF) for commercial banks and certain state savings banks and the Savings Association Insurance Fund (SAIF) for savings associations and savings banks which were formerly organized as savings associations. As a former savings association, Advantage is a member of the SAIF and its deposit accounts are insured by the FDIC, up to the prescribed limits. In February 2006, the Deposit Insurance Reform Conforming Amendments Act of 2005 was signed into law. This act will, among other things, merge the BIF and SAIF.

Non-member Banks are subject to regulatory oversight under various consumer protection and fair lending laws. These laws govern, among other things, truth-in-lending 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.

Table of Contents

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.

The risk-based capital requirement specifies total capital, which consists of core or Tier 1 capital and certain general valuation reserves, as a minimum of 8% of risk-weighted assets. 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.

The following tables present certain information regarding compliance by Camco and Advantage with applicable regulatory capital requirements at December 31, 2005:

Camco:

	At December 31, 2005					
	Actual		For capital adequacy purposes		To be well-capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Total capital (to risk-weighted assets)	$ 92,005	12.39%	³$59,391	³8.0%	N/A	N/A
Tier I capital (to risk-weighted assets)	$ 85,046	11.46%	³$29,696	³4.0%	N/A	N/A
Tier I leverage	$ 85,046	8.00%	³$42,549	³4.0%	N/A	N/A

Advantage:

	At December 31, 2005					
	Actual		For capital adequacy purposes		To be well-capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Total capital (to risk-weighted assets)	$ 83,052	11.21%	³$59,280	³8.0%	³$74,100	³10.0%
Tier I capital (to risk-weighted assets)	$ 76,093	10.27%	³$29,640	³4.0%	³$44,460	³ 6.0%
Tier I leverage	$ 76,093	7.23%	³$42,126	³4.0%	³$52,657	³5.0%

Federal law prohibits a financial institution from making a capital distribution to anyone or paying management fees to any person having control of the institution if, after such distribution or payment, the institution would be

undercapitalized. In addition, each company controlling an undercapitalized institution must guarantee that the institution will comply with its capital restoration plan until the institution has been adequately capitalized on average during each of the four preceding calendar quarters and must provide adequate assurances of performance.

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

Table of Contents

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, 2005.

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 holding company, some of the restrictions on its activities are reduced. Camco s financial 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 $48.3 million (subject to an exemption of up to $7.8 million), and of 10% of net transaction accounts in excess of $48.3 million. At December 31, 2005, Advantage was in compliance with its reserve requirements.

Table of Contents

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.

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, mortgage-backed securities 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 origination of loans for sale and consequently the 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 our servicing assets faster, which would accelerate our expense and lower our earnings.

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.

Legislative or regulatory changes or actions could adversely impact the financial services industry.

The financial services industry is extensively regulated. Federal and state banking laws and regulations are primarily intended for the protection of consumers, depositors and the deposit insurance funds, not to benefit our stockholders. Changes to laws and regulations or other actions by regulatory agencies may negatively impact us.

Table of Contents

Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution s allowance for loan losses. The significant federal and state banking regulations that affect us are described in this 10-K under the heading Regulation.

Our ability to pay cash dividends is limited.

We are dependent primarily upon the earnings of our operating subsidiaries for funds to pay dividends on our common shares. The payment of dividends by our subsidiaries is subject to certain regulatory restrictions. 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 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.

We face risks with respect to future expansion.

We may acquire other financial institutions in the future and we may engage in de novo branch expansion. We may also consider and enter into new lines of business or offer new products or services. We may incur substantial costs to expand, and we can give no assurance such expansion will result in the levels of profits we seek. Also, we may issue equity securities in connection with future acquisitions, which would dilute current stockholders ownership interests.

Item 1B. Unresolved Staff Comments.

None.

Table of Contents

Item 2. Properties.

The following table provides the location of, and certain other information pertaining to, Camco s office premises as of December 31, 2005:

Office Location	Year facility commenced operations	Leased or owned	Net book value (1)
134 E. Court Street Washington Court House, Ohio	1963	Owned (2)	$ 702,032
1050 Washington Ave. Washington Court House, Ohio	1996	Owned	509,217
1 N. Plum Street Germantown, Ohio	1998	Owned	506,897
687 West Main Street New Lebanon, Ohio	1998	Owned	70,784
2 East High Street London, Ohio	2004	Owned	618,613
3002 Harrison Avenue Cincinnati, Ohio	2000	Owned	1,413,273
1101 St. Gregory Street Cincinnati, Ohio	2000	Leased (3)	
5071 Glencrossing Way Cincinnati, Ohio	2000	Leased (4)	
126 S. 9th Street Cambridge, Ohio	1998	Owned	86,637
226 Third Street Marietta, Ohio	1976	Owned (5)	626,783
1925 Washington Boulevard Belpre, Ohio	1979	Owned	71,426
478 Pike Street Marietta, Ohio	1998	Leased (6)	559,279
814 Wheeling Avenue Cambridge, Ohio	1963	Owned	839,769
327 E. 3rd Street Uhrichsville, Ohio	1975	Owned	72,906

175 N. 11th Street Cambridge, Ohio	1981	Owned	376,015

(Footnotes begin on
page 23)

Office Location	Year facility commenced operations	Leased or owned	Net book value (1)
209 Seneca Avenue Byesville, Ohio	1978	Leased (7)	
547 S. James Street Dover, Ohio	2002	Owned	$ 372,254
2497 Dixie Highway Ft. Mitchell, Kentucky	2001	Owned	616,149
401-7 Pike Street Covington, Kentucky	2001	Owned	103,335
3522 Dixie Highway Erlanger, Kentucky	2001	Owned	35,594
7550 Dixie Highway Florence, Kentucky	2001	Owned	475,301
191 Eastern Heights Shopping Center Huntington, West Virginia	1997	Leased (8)	703
6901 Glenn Highway Cambridge, Ohio	1999	Owned	1,244,533
1320 D 4th Street, N.W. New Philadelphia, Ohio	1985	Leased (9)	
100 E. Wilson Bridge Road Suite #105 & 110 Worthington, Ohio	2004	Leased (10)	61,778
6269 Frank Ave. N. Canton, Ohio	1992	Leased (11)	
1500 Grand Central Ave. Suite #102 Vienna, West Virginia	2004	Leased (12)	257,819
123 Southgate Parkway Cambridge, Ohio	2005	Leased (13)	185,262
Tylersville Road Mason, Ohio	2006	Leased (14)	
1104 Eagleton Blvd. London, Ohio	2006	Leased (15)	

(Footnotes on
following page)

Table of Contents

(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 is currently on a month to month basis. Branch office will be moved to 111 Gregory Street in February 2006. The lease on new branch will expire 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 lease is currently on a month to month basis.

(9) The lease expires in December 2009.

(10) The lease expires in September 2008. Advantage has the option to renew for two five-year terms.

(11) The lease expires in August 2006. Advantage has the option to renew for a one-year term.

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

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

(14) Payment on lease will begin upon occupancy, approximately

third quarter 2006. The lease expires February 2016. Advantage has the option to renew the lease for two five-year terms.

(15) The lease term will begin approximately second quarter 2006. The lease expires twelve months after the term begins. Advantage has the option to renew for three five-year terms.

Camco also owns furniture, fixtures and equipment. The net book value of Camco s investment in office premises and equipment totaled $11.6 million at December 31, 2005. See Note E of Notes to Consolidated Financial Statements for additional information.

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.

Table of Contents

PART II

Item 5. Market for Registrant s Common Stock, Related Stockholder Matters and Issuer Purchases of Common Stock.

At February 6, 2006, Camco had 7,578,713 shares of common stock outstanding and held of record by approximately 2,006 stockholders. Price information for Camco s common stock is quoted on The Nasdaq National Market (Nasdaq) under the symbol CAFI. The table below sets forth the high and low trade information for the common stock of Camco, together with the dividends declared per share of common stock, for each quarter of 2005, 2004 and 2003.

	High	Low	Cash dividends declared
Year ended December 31, 2005			
Quarter ending:			
December 31, 2005	$14.68	$13.78	$0.145
September 30, 2005	14.65	13.90	0.145
June 30, 2005	14.50	13.14	0.145
March 31, 2005	16.80	13.97	0.145
Year ended December 31, 2004			
Quarter ending:			
December 31, 2004	$15.79	$14.94	$0.145
September 30, 2004	15.67	14.07	0.145
June 30, 2004	16.93	12.77	0.145
March 31, 2004	17.62	16.40	0.145
Year ended December 31, 2003			
Quarter ending:			
December 31, 2003	$18.39	$17.06	$0.145
September 30, 2003	18.23	15.90	0.145
June 30, 2003	17.00	15.00	0.140
March 31, 2003	17.08	14.21	0.140

Equity Compensation Plan Information

All purchases of shares during the year related to the 5% stock repurchase program announced April 26, 2005.

Period of Repurchase	Number of shares purchased	Average price paid per share	Maximum Number Of Shares that May Yet be Purchased Under the Program
April 1 April 30	0	N/A	383,937
May 1 31	45,000	$ 13.83	338,937
June 1 30	0	N/A	338,937
July 1 31	5,000	$ 14.07	333,937
August 1 31	37,000	$ 14.49	296,937
September 1 30	19,900	$ 14.24	277,037

October 1 31	5,000	$ 14.15	272,037
November 1 30	17,000	$ 14.26	255,037
December 1 31	25,700	$ 14.37	229,337
Total	154,600	$ 14.20	229,337

Table of Contents

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]

	At December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(In thousands)				
Total amount of:					
Assets	$ 1,071,248	$ 1,065,823	$ 1,039,151	$ 1,083,240	$ 1,102,652
Interest-bearing deposits in other financial institutions	11,299	17,045	30,904	36,807	89,299
Investment securities available for sale at market	47,907	19,839	27,008	38,789	305
Investment securities held to maturity	919	4,123	1,130	5,368	18,872
Mortgage-backed securities available for sale at market	61,607	80,321	77,916	97,332	6,975
Mortgage-backed securities held to maturity	3,257	4,146	7,704	20,000	30,765
Loans receivable net[2]	848,710	836,666	805,082	796,958	871,446
Deposits	660,242	667,778	671,274	694,072	730,075
FHLB advances and other borrowings	307,223	295,310	262,735	276,276	258,850
Stockholders equity substantially restricted	90,763	89,321	92,543	98,601	95,171

SELECTED CONSOLIDATED OPERATING DATA: [1]

	Year ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(In thousands, except per share data)				
Total interest income	$ 57,078	$ 52,948	$ 54,875	$ 66,002	$ 74,372
Total interest expense	26,529	27,512	31,237	38,556	48,433
Net interest income	30,549	25,436	23,638	27,446	25,939
Provision for losses on loans	1,480	1,620	1,446	1,169	759
Net interest income after provision for losses on loans	29,069	23,816	22,192	26,277	25,180
Other income	6,584	7,082	11,411	10,100	7,153
Sale of branch deposits and premises, net	8	6,626			
General, administrative and other expense	22,754	22,841	22,404	21,682	18,948
Restructuring charges (credits) related to charter consolidation				(112)	950
FHLB advance prepayment fees		18,879	1,292		
Earnings (loss) before federal income taxes (credits)	12,907	(4,196)	9,907	14,807	12,435
Federal income taxes (credits)	4,141	(1,660)	3,051	4,802	3,891
Net earnings (loss)	8,766	(2,536)	6,856	10,005	8,544
Prepayment fees, restructuring charges (credits) and gain on sale of Ashland branches (net of related tax effects)		8,440	853	(74)	627

Net earnings from operations	$ 8,766	$ 5,904	$ 7,709	$ 9,931	$ 9,171
Earnings (loss) per share:					
Basic	$ 1.15	$ (.34)	$ .92	$ 1.27	$ 1.20
Basic from operations [3]	$ 1.15	$ .79	$ 1.03	$ 1.26	$ 1.29
Diluted	$ 1.15	N/A	$ .91	$ 1.25	$ 1.19
Diluted from operations [3]	$ 1.15	$ .79	$ 1.02	$ 1.24	$ 1.28

	Year ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Return on average assets [4]	0.82%	(0.24)%	0.65%	0.92%	0.80%
Return on average assets from operations [4]	0.82	0.56	0.73	0.91	0.86
Return on average equity [4]	9.73	(2.79)	7.17	10.33	9.83
Return on average equity from operations [4]	9.73	6.49	8.07	10.25	10.55
Average equity to average assets [4]	8.43	8.64	9.01	8.86	8.13
Dividend payout ratio [5]	50.43	N/A[6]	61.96	41.34	40.00

[1] The information as of December 31, 2004 reflects the acquisition of London Financial Corporation. The information as of December 31, 2001 reflects the acquisition of Columbia Financial of Kentucky, Inc. These combinations were accounted for using the purchase method of accounting.

[2] Includes loans held for sale.

[3] Represents a pro-forma

presentation based upon net earnings from operations divided by weighted-average basic and diluted shares outstanding. For 2005, diluted earnings per share from operations is based on 7,648,706 diluted shares assumed to be outstanding.

(4) Ratios are based upon the mathematical average of the balances at the beginning and the end of the year.

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

(6) Not meaningful.

Table of Contents

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

General

Since its incorporation in 1970, Camco has evolved into a full-service provider of financial products to the communities served by Advantage. Utilizing a common marketing theme based on Camco s commitment to personalized customer service, Camco and its affiliates have grown from $22.4 million of consolidated assets in 1970 to $1.1 billion of consolidated assets at December 31, 2005. 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.

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 divisions has the ability to make local decisions for customer contacts and services, however back-office operations are consolidated and centralized. Based on consumer preferences, the Bank s management designs financial service products with a view towards differentiating each of the constituent divisions from its competition. Management believes that the Bank divisions ability to rapidly adapt to consumer 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.

Forward-Looking Statements

Certain statements contained in this report that are not historical facts are forward looking statements that are subject to certain risks and uncertainties. When used herein, the terms anticipates, plans, expects, believes, and sim expressions as they relate to Camco or its management are intended to identify such forward looking statements. Camco s actual results, performance or achievements may materially differ from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, interest rate environment, competitive conditions in the financial services industry, changes in law, governmental policies and regulations, and rapidly changing technology affecting financial services.

Non-GAAP Financial Measures

This report includes one or more non-GAAP financial measures within the meaning of Regulation G. With respect to each, Camco has disclosed the most directly comparable financial measure calculated and presented in accordance with GAAP and reconciled the differences between the non-GAAP financial measure and the most comparable financial measure presented in accordance with GAAP.

Camco believes that the presentation of the non-GAAP financial measures in this report assist management and investors to compare results period-to-period in a more meaningful and consistent manner and provide a better measure of results for Camco s ongoing operations.

Table of Contents

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 accounting principles generally accepted in the United States of America (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, the valuation of mortgage servicing rights and goodwill impairment. Actual results could differ from those estimates.

Allowance for Loan Losses

The procedures for assessing the adequacy of the allowance for loan losses reflect our evaluation of credit risk after careful consideration of all information available to us. In developing this assessment, we 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.

The allowance is regularly reviewed by management to determine whether the amount is considered adequate to absorb probable losses. 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, as well as trends in delinquencies and losses for the region and nationally, and economic factors.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable 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. While management strives to reflect all known risk factors in its evaluations, judgment errors may occur.

Mortgage Servicing Rights

To determine the fair value of its mortgage servicing rights (MSRs) each reporting quarter, Advantage transmits information to a third party provider, representing individual loan information in each pooling period accompanied by escrow amounts. The third party then evaluates 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 to the servicing valuation, in which loans with similar characteristics are pooled together, is applied for valuation purposes. Once pooled, each grouping of loans is evaluated on a discounted earnings basis to determine the present value of future earnings that a purchaser could expect to realize from the portfolio. Earnings are projected from a variety of sources including loan service fees, interest earned on float, net interest earned on escrow balances, miscellaneous income and costs to service the loans. The present value of future earnings is the estimated market value for the pool, calculated using consensus assumptions that a third party purchaser would utilize in evaluating a potential acquisition of the servicing. Events that may significantly affect the estimates used are changes in interest rates and the related impact on mortgage loan prepayment speeds and the payment performance of the underlying

loans. The interest rate for float, which is supplied by management, takes into consideration the investment portfolio average yield as well as current short duration investment yields. Management believes this methodology provides a reasonable estimate. Mortgage loan prepayment speeds are calculated by the third party provider utilizing the Economic Outlook as published by the Office of Chief Economist of Freddie Mac in estimating prepayment speeds and provides a specific scenario 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, management reviews the information and mortgage servicing rights are marked to lower of amortized cost or market for the current quarter.

Goodwill

We have developed procedures to test goodwill for impairment on an annual basis using June 30 financial information. This testing procedure is outsourced to a third party that evaluates possible impairment based on the following:

The test involves assigning tangible assets and liabilities, identified intangible assets and goodwill to reporting units and comparing the fair value of each reporting unit to its carrying value including goodwill. The value is determined assuming a freely negotiated transaction between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts. Accordingly, to derive the fair value of the reporting unit, the following common approaches to valuing business combination transactions involving financial institutions are utilized by a third party selected by Camco: (1) the comparable transactions approach specifically based on earnings, book, assets and deposit premium multiples received in recent sales of comparable thrift franchises; and (2) the discounted cash flow approach. The application of these valuation techniques takes into account the reporting unit s operating history, the current market environment and future prospects. As of the most recent quarter, the only reporting unit carrying goodwill is the Bank.

If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and no second step is required. If not, a second test is required to measure the amount of goodwill impairment. The second test of the overall goodwill impairment compares the implied fair value of the reporting unit goodwill with the carrying amount of the goodwill. The impairment loss shall equal the excess of carrying value over fair value.

After each testing period, the third party compiles a summary of the test that is then provided to the Audit Committee for review. As of the most recent testing date, June 30, 2005, the fair value of the reporting unit exceeded its carrying amount.

Summary

Management believes the accounting estimates related to the allowance for loan losses, the capitalization, amortization, and valuation of mortgage servicing rights and the goodwill impairment test are critical accounting estimates because: (1) the estimates are highly susceptible to change from period to period because they require management 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. Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed Camco s disclosures relating to such matters in the quarterly Management s Discussion and Analysis.

Table of Contents

Discussion of Financial Condition Changes from December 31, 2004 to December 31, 2005

At December 31, 2005, Camco s consolidated assets totaled $1.1 billion, an increase of $5.4 million, or .5%, from the December 31, 2004 total. The increase in total assets was comprised primarily of increases in investments available for sale and loans receivable, as extra cash was deployed into higher interest earning assets.

Cash and interest-bearing deposits in other financial institutions totaled $33.1 million at December 31, 2005, a decrease of $9.8 million, or 22.9%, from December 31, 2004 levels. Investment securities totaled $48.8 million at December 31, 2005, an increase of $24.9 million, or 103.8%, from the total at December 31, 2004. Investment securities purchases were comprised of $36.1 million of intermediate callable agency securities, with an average yield of 4.2%. Such purchases were offset by maturities of $10.4 million and sales of $302,000 during the year.

Mortgage-backed securities totaled $64.9 million at December 31, 2005, a decrease of $19.6 million, or 23.2%, from December 31, 2004. Mortgage-backed securities purchases totaled $3.3 million, while principal repayments totaled $21.0 million during the year ended December 31, 2005. Purchases of mortgage-backed securities during the year were comprised primarily of pass-through mortgage-backed securities yielding 4.2% issued by Federal Home Loan Mortgage Corporation.

Loans receivable and loans held for sale totaled $848.7 million at December 31, 2005, an increase of $12.0 million, or 1.4%, over the total at December 31, 2004. The increase resulted primarily from loan disbursements and purchases totaling $411.5 million, which were offset by principal repayments of $323.3 million and loan sales of $69.7 million. Loan origination volume, including purchases of loans, was greater than that of the comparable 2004 period by $47.6 million, or 13.1%, while the volume of loan sales decreased by $48.2 million year to year. The increase in total loans originated and purchased is primarily attributable to an increase in commercial and consumer loan originations. The number of loans originated for sale in the secondary market continues to decline as long term rates have risen. The rise in interest rates resulted in an increase in the production of adjustable rate loans for the portfolio. Instead of selling adjustable rate loans, Camco has typically held them in its portfolio as an integral part of its strategy to build interest rate sensitive assets for interest rate risk purposes. Loan originations during the 12 month period were comprised primarily of $166.1 million of loans secured by one- to four- family residential real estate, $147.0 million in loans secured by commercial real estate and $98.4 million in consumer and other loans. Management intends to continue to expand its consumer and commercial real estate lending in future periods as a means of increasing the yield on its loan portfolio.

The allowance for loan losses totaled $7.0 million and $6.5 million at December 31, 2005 and 2004, respectively, representing 50.0% and 66.1% of nonperforming loans at those dates. Nonperforming loans (90 days or more delinquent plus nonaccrual loans) totaled $13.9 million and $9.8 million at December 31, 2005 and December 31, 2004, respectively, constituting 1.64% and 1.17% of total net loans, including loans held for sale, at those dates. At December 31, 2005, nonperforming loans were comprised of $7.9 million of loans secured by one- to four-family residential real estate, $5.8 million of loans secured by multi-family, nonresidential real estate and commercial loans and $300,000 of consumer and other loans. Although management believes that its allowance for loan losses at December 31, 2005 is adequate based upon the available facts and circumstances, there can be no assurance that additions to such allowance will not be necessary in future periods, which could adversely affect Camco s results of operations.

Deposits totaled $660.2 million at December 31, 2005, a decrease of $7.5 million, or 1.1%, from December 31, 2004 levels. The decrease resulted from decreases of a $23.7 million in money market accounts, $9.6 million in savings accounts and $8.5 million in interest bearing checking accounts, which decreases were partially offset by increases of $28.4 million in certificates of deposit and $5.8 million in non-interest bearing checking accounts. The increase in certificates of deposit is a result of the Bank actively pursuing the extension of deposit maturity in a rising rate environment, while the decrease in money markets, interest bearing checking accounts and savings accounts was due to highly competitive pricing in the Bank s market area.

Advances from the FHLB and other borrowings increased by $11.9 million, or 4.0%, to a total of $307.2 million at December 31, 2005. The increase was due primarily to the introduction of consumer sweep/repurchase agreements.

Stockholders equity totaled $90.8 million at December 31, 2005, a $1.4 million, or 1.6%, increase from December 31, 2004. The increase resulted primarily from net income of $8.8 million and proceeds from the exercise of stock options of $591,000, which were partially offset by dividends of $4.4 million, treasury buyback of stock of $2.2 million and a $1.4 million decrease in the unrealized gains on available for sale securities.

Camco and the Bank are required to maintain minimum regulatory capital pursuant to federal regulations. During 2005, management was notified by its primary regulators that Advantage was categorized as well-capitalized under the regulatory framework for prompt corrective action. At December 31, 2005, the regulatory capital of Camco and the Bank exceeded all regulatory capital requirements.

Comparison of Results of Operations for the Years Ended December 31, 2005 and December 31, 2004

General. Camco s net earnings for the year ended December 31, 2005, totaled $8.8 million, an increase of $11.3 million, or 445.7%, from the $2.5 million of loss reported in 2004. The increase in earnings was primarily attributable to a one-time charge in 2004 of $18.9 million in pre-tax expense associated with the restructuring portion of the Bank s FHLB borrowings, offset in 2004 partially by a $6.1 million gain due to the sale of the Ashland division. Excluding these extraordinary items, earnings for the year increased $2.87 million primarily due to the $4.1 million increase of net interest income and the $1.0 decrease of other income.

In December 2004, Camco announced the restructuring of $144.1 million in convertible fixed rate borrowings from the Federal Home Loan Bank. The early prepayment of the debt resulted in a penalty charge of $18.9 million before tax, or $12.5 million after-tax. The convertible advances had a weighted average interest rate of 6.25% and an average term to maturity of approximately 5.61 years. The advances were replaced with maturities ranging up to five years. The weighted average cost on the restructured borrowings was 3.59%.

The impact of the restructuring reduced interest expense for the Corporation by approximately $2.5 million pre-tax in 2005. This decrease in interest bearing liabilities increased earnings per share for the Corporation by approximately $.22 in 2005.

In December 2004, Camco sold its Ashland division which included $63.7 million in deposits and $42.6 million in loans in the Ashland market as well as the Ashland and Summit, Kentucky facilities. This transaction was based on a decision to redirect resources and management attention to other markets that drive the execution of our long term strategic plan. Our branch strategy involves narrowing our geographic footprint, building a more efficient branch network and improving long term shareholder value.

Net Interest Income. Net interest income for the year ended December 31, 2005, amounted to $30.5 million, an increase of $5.1 million, or 20.1%, compared to 2004, generally reflecting the effects of an increase of 44 basis points in the average yield, from 5.17% in 2004 to 5.61% in 2005 offset partially by a $6.6 million, or .7%, decrease in the average balance of interest-earning assets outstanding year to year.

Interest income on loans totaled $50.2 million for the year ended December 31, 2005, an increase of $3.2 million, or 6.9%, from the comparable 2004 total. The increase resulted primarily from a 36 basis point increase in the average yield, from 5.56% in 2004, to 5.92% in 2005, coupled with a $2.1 million, or .2%, increase in the average balance of loans outstanding year to year. Interest income on mortgage-backed securities totaled $2.8 million for the year ended December 31, 2005, an $189,000, or 6.3%, decrease from the 2004 period. The decrease was due primarily to a $14.5 million, or 16.2%, decrease in the average balance outstanding, partially offset by a 40 basis point increase in the average yield, to 3.75% in 2005. Interest income on investment securities increased by $494,000, or 64.0%, due primarily to an $8.3 million increase in the average balance outstanding year to year, coupled with a 73 basis point increase in the average yield, to 3.59% in 2005. Interest income on other interest-earning assets increased by

$592,000, or 26.6%, due primarily to an increase in the yield of 114 basis points, to 4.74% in 2005, offset partially by a decrease of $2.5 million, or 4.0%, in the average balance outstanding year to year.

Interest expense on deposits totaled $15.4 million for the year ended December 31, 2005, an increase of $1.5 million, or 10.7%, compared to the year ended December 31, 2004, due primarily to a 32 basis point decrease in the average cost of deposits, to 2.41% for 2005, partially offset by a $26.1 million, or 3.9%, increase in the average balance of interest-bearing deposits outstanding year to year. Interest expense on borrowings totaled $11.1 million for the year ended December 31, 2005, a decrease of $2.5 million, or 18.2%, from 2004. The decrease resulted primarily from a 116 basis point decrease in the average rate to 3.73% in 2005, partially offset by a $20.3 million, or 7.3%, increase in the average balance outstanding year to year.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $5.1 million, or 20.1%, to a total of $30.5 million for the year ended December 31, 2005. The interest rate spread increased to approximately 2.78% at December 31, 2005, from 2.26% at December 31, 2004, while the net interest margin increased to approximately 3.00% for the year ended December 31, 2005, compared to 2.49% for the 2004 period.

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 collectibility of the Bank s loan portfolio. Based upon an analysis of these factors, management recorded a provision for losses on loans totaling $1.5 million for the year ended December 31, 2005, a decrease of $140,000, or 8.6%, from the provision recorded in 2004.

Other Income. Other income totaled $6.6 million for the year ended December 31, 2005, a decrease of $7.1 million, or 51.9%, compared to 2004. The decrease in other income was primarily attributable to the sale of our Ashland, Kentucky banking division which resulted in a pretax gain of $6.1 million in 2004. Excluding the sale of the Ashland, other income would have decreased by $1.0 million. This decrease was primarily attributable to a $521,000 or 98.5% decrease in gain on sale of assets, a $382,000 or 95.0% decrease in mortgage servicing rights, and a $136,000 or 16.6% decrease in gain on sale of loans.

The decrease in gain on sale of loans was due primarily to a decrease in the volume of loans sold of $48.2 million, or 40.9%, from the volume of loans sold in 2004. During 2005, the Bank recorded MSR s on new loan sales totaling $992,000 and amortization of MSR s totaling $972,000, which resulted in net revenue item of $20,000. During 2004, the Bank recorded MSR s on new loan sales totaling $1.6 million and amortization of MSR s totaling $1.2 million, which resulted in net revenue of $402,000.

General, Administrative and Other Expense. General, administrative and other expense totaled $22.8 million for the year ended December 31, 2005, a decrease of $19.0 million, or 45.4%, compared to 2004. The decrease was due primarily to the $18.9 million prepayment fee associated with the restructuring of a portion of the Bank s FHLB borrowings and a decrease of $725,000 or 73.1%, in franchise tax, $339,000 or 10.0% in occupancy and equipment partially offset by an increase of $568,000 or 4.3% in employee compensation, excluding the FHLB prepayment fee of $18.9 million, a $225,000 or 4.6% increase in other operating expenses and a $171,000 or 16.3% increase in advertising. The decrease in franchise tax was primarily due to acquiring London Financial Corporation in August 2004 and changing charters to a state charted commercial bank. This is a one time savings which will only occur in 2005. The decrease in occupancy was due primarily to the sale of our Kentucky division, consisting of two branches, in December 2004 and a decrease in depreciation expense. The increase in compensation was primarily due to merit increases and accruals for bonus compensation. The increase in other operating was primarily due to the accrual of $275,000 in the second quarter for the settlement of litigation and the increase in advertising was due to hiring an advertising agency to better manage the Company s marketing effort to uniformly promote our brand and key offerings.

Federal Income Taxes. Federal income tax totaled $4.1 million for the year ended December 31, 2005, an increase of $5.8 million, or 349.7%, compared to the provision recorded in 2004. This increase was primarily

attributable to a $4.2 million net loss in 2004 before federal income tax credits. The effective rate of tax (benefits) amounted to 32.1% and (39.6)% for the years ended December 31, 2005 and 2004, respectively. The tax-exempt character of earnings on bank-owned life insurance is the principal difference between the effective rate of tax (benefits) and the statutory corporate tax rate for the years ended December 31, 2005 and 2004.

Comparison of Results of Operations for the Years Ended December 31, 2004 and December 31, 2003

General. Camco s net loss for the year ended December 31, 2004, totaled $2.5 million, a decrease of $9.4 million, or 137.0%, from the $6.9 million of net earnings reported in 2003. The decrease in earnings was primarily attributable to a one-time charge of $18.9 million in pre-tax expense associated with the restructuring of a portion of the Bank s FHLB borrowings and a $2.8 million decrease in gain on sale of loans, which were partially offset by a $6.1 million gain due to the sale of the Ashland division and a $4.7 million decrease in the provision for federal income taxes.

In December 2004 Camco announced the restructuring of $144.1 million in convertible fixed rate borrowings from the Federal Home Loan Bank. The early prepayment of the debt resulted in a penalty charge of $18.9 million before tax, or $12.5 million after-tax. The convertible advances had a weighted average interest rate of 6.25% and an average term to maturity of approximately 5.61 years. The advances were replaced with maturities ranging up to five years. The weighted average cost on the restructured borrowings was 3.59%.

In December, 2004 Camco sold its Ashland Division which included $63.7 million in deposits and $42.6 million in loans in the Ashland market as well as the Ashland and Summit, Kentucky facilities. This transaction was based on a decision to redirect resources and management attention to other markets that drive the execution of our long term strategic plan. Our branch strategy involves narrowing our geographic footprint, building a more efficient branch network and improving long term shareholder value.

Net Interest Income. Total interest income for the year ended December 31, 2004, amounted to $52.9 million, a decrease of $1.9 million, or 3.5%, compared to 2003, generally reflecting the effects of a decrease of 26 basis points in the average yield, from 5.43% in 2003 to 5.17% in 2004, offset partially by a $12.7 million, or 1.3%, increase in the average balance of interest-earning assets outstanding year to year.

Interest income on loans totaled $46.9 million for the year ended December 31, 2004, a decrease of $1.1 million, or 2.2%, from the comparable 2003 total. The decrease resulted primarily from a 58 basis point decrease in the average yield, from 6.14% in 2003, to 5.56% in 2004, offset partially by a $63.5 million, or 8.1%, increase in the average balance of loans outstanding year to year. Interest income on mortgage-backed securities totaled $3.0 million for the year ended December 31, 2004, a $423,000, or 12.3%, decrease from the 2003 period. The decrease was due primarily to a $23.5 million, or 20.8%, decrease in the average balance outstanding, partially offset by a 33 basis point increase in the average yield, to 3.36% in 2004. Interest income on investment securities decreased by $495,000, or 39.1%, due primarily to a $10.9 million decrease in the average balance outstanding year to year, coupled with a 48 basis point decline in the average yield, to 2.86% in 2004. Interest income on other interest-earning assets increased by $41,000, or 1.9%, due primarily to an increase in the yield of 80 basis points, to 3.59% in 2004, offset partially by a decrease of $16.3 million, or 20.9%, in the average balance outstanding year to year.

Interest expense on deposits totaled $13.9 million for the year ended December 31, 2004, a decrease of $2.1 million, or 13.0%, compared to the year ended December 31, 2003, due primarily to a 37 basis point decrease in the average cost of deposits, to 2.09% for 2004, partially offset by a $13.8 million, or 2.1%, increase in the average balance of interest-bearing deposits outstanding year to year. Interest expense on borrowings totaled $13.6 million for the year ended December 31, 2004, a decrease of $1.6 million, or 10.7%, from 2003. The decrease resulted primarily from a 67 basis point decrease in the average rate to 4.89% in 2004, partially offset by a $4.4 million, or 1.6%, increase in the average balance outstanding year to year.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $1.8 million, or 7.6%, to a total of $25.4 million for the year ended December 31, 2004. The interest rate spread increased to approximately 2.26% at December 31, 2004, from 2.06% at December 31, 2003, while the net interest

margin increased to approximately 2.49% for the year ended December 31, 2004, compared to 2.34% for the 2003 period.

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 collectibility of the Bank s loan portfolio. Based upon an analysis of these factors, management recorded a provision for losses on loans totaling $1.6 million for the year ended December 31, 2004, an increase of $174,000, or 12.0%, over the provision recorded in 2003. The provision was predicated primarily on the overall increase in the loan portfolio, including the increased percentage of loans secured by nonresidential real estate within the portfolio and an increase in the level of impaired loans and loan charge-offs year to year.

Other Income. Other income totaled $13.7 million for the year ended December 31, 2004, an increase of $2.3 million, or 20.1%, compared to 2003. The increase in other income was primarily attributable to the sale of our Ashland, Kentucky banking division which resulted in a pretax gain of $6.1 million. Excluding the sale of the Ashland banking division, other income would have decreased from $11.4 million in 2003 to $7.6 million in 2004. This decrease of $3.8 million was primarily attributable to a $2.8 million or 77.3% decrease in gain on the sale of loans, as a result of fewer loans being sold into the secondary market, as well as a reduction of $818,000 or 51.3% in our title agency revenue, also due to lower residential loan production levels.

The decrease in gain on sale of loans was due primarily to a decrease in the volume of loans sold of $161.1 million, or 57.8%, from the volume of loans sold in 2003. During 2004, the Bank recorded MSR s on new loan sales totaling $1.6 million and amortization of MSR s totaling $1.2 million, which resulted in net revenue item of $402,000. During 2003, the Bank recorded MSR s on new loan sales totaling $3.5 million and amortization of MSR s totaling $2.9 million, which resulted in net revenue of $543,000.

General, Administrative and Other Expense. General, administrative and other expense totaled $41.7 million for the year ended December 31, 2004, an increase of $18.0 million, or 76.1%, compared to 2003. The increase was due primarily to the $18.9 million prepayment fee associated with the restructuring of a portion of the Bank s FHLB borrowings and a decrease of $1.3 million, or 36.6%, in deferred compensation (SFAS No. 91), offset partially by a decrease of $713,000 in employee compensation and benefits and a $393,000 or 10.4% decrease in occupancy and equipment expenses. The decrease in deferred compensation relates to (SFAS No. 91) and the decline in residential loan production. The decrease in employee compensation and benefits is due to lower incentives and commissions on reduced loan production from prior periods. The decrease in occupancy and equipment was due to management s more efficient utilization of the current infrastructure and continuing capitalization on past investments in technology.

Federal Income Taxes. Federal income tax credits totaled $1.7 million for the year ended December 31, 2004, a decrease of $4.7 million, or 154.4%, compared to the provision recorded in 2003. This decrease was primarily attributable to a $4.2 million net loss before federal income tax credits. The effective rate of tax (benefits) amounted to (39.6)% and 30.8% for the years ended December 31, 2004 and 2003, respectively. The tax-exempt character of earnings on bank-owned life insurance is the principal difference between the effective rate of tax (benefits) and the statutory corporate tax rate for the years ended December 31, 2004 and 2003.

Table of Contents

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.

	Year ended December 31,								
	2005			2004			2003		
	Average outstanding balance	Interest earned/ paid	Average yield/ rate	Average outstanding balance	Interest earned/ paid	Average yield/ rate	Average outstanding balance	Interest earned/ paid	Average yield/ rate
	(Dollars in thousands)								
Interest-earning assets:									
Loans receivable [1]	$ 846,729	$ 50,165	5.92%	$ 844,660	$ 46,932	5.56%	$ 781,175	$ 47,982	6.14%
Mortgage-backed securities [2]	75,336	2,827	3.75	89,863	3,016	3.36	113,392	3,439	3.03
Investment securities [2]	35,277	1,266	3.59	26,987	772	2.86	37,881	1,267	3.34
Interest-bearing deposits and other interest-earning assets	59,542	2,820	4.74	62,016	2,228	3.59	78,364	2,187	2.79
Total interest-earning assets	**$ 1,016,884**	57,078	5.61	**$ 1,023,526**	52,948	5.17	**$ 1,010,812**	54,875	5.43
Interest-bearing liabilities:									
Deposits	$ 640,469	15,434	2.41	$ 666,540	13,945	2.09	$ 652,710	16,037	2.46
FHLB advances and other	297,304	11,095	3.73	277,576	13,567	4.89	273,147	15,200	5.56
Total interest-bearing liabilities	**$ 937,773**	26,529	2.83	**$ 944,116**	27,512	2.91	**$ 925,857**	31,237	3.37
Net interest income/Interest rate spread	**$ 79,111**	**$ 30,549**	**2.78%**		**$ 25,436**	**2.26%**		**$ 23,638**	**2.06%**
Net interest margin [3]			**3.00%**			**2.49%**			**2.34%**
Average interest-earning assets to average interest-bearing			**108.44%**			**108.41%**			**109.18%**

liabilities

(1) Includes nonaccrual loans and loans held for sale.

(2) Includes securities designated as available for sale.

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

Table of Contents

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.

	Year ended December 31,					
	2005 vs. 2004 Increase (decrease) due to			2004 vs. 2003 Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
	(In thousands)					
Interest income attributable to:						
Loans receivable [1]	$ 115	$ 3,118	$ 3,233	$ 6,038	$ (7,088)	$ (1,050)
Mortgage-backed securities	(701)	512	(189)	(870)	447	(423)
Investment securities	270	224	494	(329)	(166)	(495)
Interest-bearing deposits and other [2]	(85)	677	592	(109)	150	41
Total interest income	(401)	4,531	4,130	4,730	(6,657)	(1,927)
Interest expense attributable to:						
Deposits	(517)	2,006	1,489	348	(2,440)	(2,092)
Borrowings	1,062	(3,534)	(2,472)	251	(1,884)	(1,633)
Total interest expense	545	(1,528)	(983)	599	(4,324)	(3,725)
Increase (decrease) in net interest income	**$ (946)**	**$ 6,059**	**$ 5,113**	**$ 4,131**	**$ (2,333)**	**$ 1,798**

[1] Includes loans held for sale.

[2] Includes interest-bearing deposits.

Yields Earned and Rates Paid

The following table sets forth the weighted-average yields earned on Camco s interest-earning assets, the weighted-average interest rates paid on Camco s interest-bearing liabilities and the interest rate spread between the weighted-average yields earned and rates paid by Camco at the dates indicated. This does not reflect the spread that may eventually be achieved in 2006 or beyond due to possible changes in weighted-average yields earned on interest-earning assets and paid on interest-bearing liabilities in the upcoming year.

	At December 31,		
	2005	2004	2003

Weighted-average yield on:			
Loan portfolio [1]	6.36%	5.78%	5.81%
Investment portfolio [2]	4.53	3.75	3.40
Total interest-earning assets	6.02	5.45	5.38
Weighted-average rate paid on:			
Deposits	2.60	2.10	2.10
FHLB advances [3]	3.94	3.63	5.13
Total interest-bearing liabilities	3.01	2.57	2.96
Interest rate spread	**3.01%**	**2.88%**	**2.42%**

(1) Includes loans held for sale and excludes the allowance for loan losses.

(2) Includes earnings on FHLB stock and cash surrender value of life insurance.

(3) Is reflective of the December 2003 and 2004 restructuring of FHLB advances.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

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

Management considers interest rate risk the Bank s most significant market risk. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. Consistency of the Bank s net interest income is largely dependent upon the effective management of interest rate risk.

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

The Bank s Asset/Liability Management Committee (ALCO), which includes senior management representatives and reports to the Bank s Board of Directors, monitors and manages interest rate risk within Board-approved policy limits. The Bank s current interest rate risk position is determined by measuring the anticipated change in net interest income over a 12 month horizon assuming a 200 basis point (bp) instantaneous and parallel shift (linear) increase or decrease in all interest rates. Current policy limits this exposure to plus or minus 20% of net interest income for a 12-month horizon.

The following table shows the Bank s estimated earnings sensitivity profile as of December 31, 2005:

Change in Interest Rates (basis points)	**Percentage Change in Net Interest Income 12 Months**
+200	-4.0%
-200	-8.6%

Given a 200bp linear increase in the yield curve used in the simulation model, it is estimated net interest income for the Bank would decrease by 4.0% over one year. A 200bp linear decrease in interest rates would decrease net interest income by 8.6% over one year. These estimated changes in net interest income are within the policy guidelines established by the Board of Directors. The Bank s ALCO also monitors the economic value of equity (EVE) ratio, measured on a static basis at the current period end. Current policy limits the EVE ratio to a minimum of 5.5%.

Table of Contents

The following table shows the EVE ratios as of December 31, 2005:

Change in Interest Rates (basis points)	EVE Ratio
+200	6.42%
0	8.07%
-200	8.54%

In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bank has developed sale procedures for several types of interest-sensitive assets. Generally, all long-term, fixed-rate single family residential mortgage loans underwritten according to Federal Home Loan Mortgage Corporation (FHLMC) or Federal National Mortgage Association (FNMA) guidelines are sold for cash upon origination. A total of $69.7 million and $117.9 million of such loans were sold to the FHLMC, FNMA and other parties during 2005 and 2004, respectively.

Liquidity and Capital Resources

Camco, like other financial institutions, is required under applicable federal regulations to maintain sufficient funds to meet deposit withdrawals, loan commitments and expenses. Liquid assets consist of cash and interest-bearing deposits in other financial institutions, investments and mortgage-backed securities. Management monitors and assesses liquidity needs daily in order to meet deposit withdrawals, loan commitments and expenses.

The following table sets forth information regarding the Bank s obligations and commitments to make future payments under contract as of December 31, 2005.

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
			(In thousands)		
Contractual obligations:					
Operating lease obligations	$ 208	$ 348	$ 263	$ 296	$ 1,115
Advances from the Federal Home Loan Bank	89,745	87,486	47,010	70,116	294,357
Certificates of deposit	239,435	120,747	29,082	1,070	390,334
Amount of commitments expiration per period					
Commitments to originate loans:					
Overdraft lines of credit	695				695
Home equity	74,288				74,288
Commercial lines of credit	12,066				12,066
One- to four-family and multi-family loans includes LIP	14,920				14,920
Commercial includes LIP & LOC	22,939				22,939
Non-residential real estate and land loans	122				122
Total contractual obligations	$ 454,418	$ 208,581	$ 76,355	$ 71,482	$ 810,836

Advantage anticipates that it will have sufficient funds available to meet its current loan commitments. Based upon historical deposit flow data, the Bank s competitive pricing in its market and management s experience, management believes that a significant portion of maturing certificates of deposit will remain with the Bank.

Table of Contents

The Bank engages in off-balance sheet credit-related activities that could require Advantage to make cash payments in the event that specified future events occur. The contractual amounts of these activities represent the maximum exposure to the Bank. However, certain off-balance sheet commitments are expected to expire or be only partially used; therefore, the total amount of commitments does not necessarily represent future cash requirements. These off-balance sheet activities are necessary to meet the financing needs of the Bank s customers.

Liquidity management is both a daily and long-term function of Advantage s management strategy. In the event that the Bank should require funds beyond its ability to generate them internally, additional funds are available through the use of FHLB advances, brokered deposits, and through the sales of loans and/or securities.

Ohio State statutes impose certain limitations on the payment of dividends and other capital distributions by banks. Generally, absent approval of the Superintendent of Banks, such statutes limit dividend and capital distributions to earnings of the current and two preceding years. As a result, the bank will need regulatory approval for dividend distributions in 2006. However, management is of the opinion that such approval will not be unreasonably withheld given the Bank s current well-capitalized classification.

Item 8. Financial Statements and Supplementary Data.

Management s Report On Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934. The Company s internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company s management, including the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework. Based on the assessment, management believes that the Company s internal control over financial reporting was effective as of December 31, 2005.

The Company s independent auditors have issued an attestation report on management s assessment of the Company s internal control over financial reporting. That report appears on page 40.

Table of Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and
Shareholders of Camco Financial Corporation

We have audited management s assessment included in the accompanying Management s Report on Internal Control over Financial Reporting that the Corporation maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Corporation s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Camco Financial Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on COSO criteria. Also in our opinion, Camco Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005 based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of Camco Financial Corporation as of December 31, 2005 and the related consolidated statements of operations, comprehensive income (loss), stockholders equity and cash flows for the year then ended and our report dated February 1, 2006, expressed an unqualified opinion thereon.

February 1, 2006
Auburn Hills, Michigan

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Camco Financial Corporation

We have audited the accompanying consolidated statement of financial condition of Camco Financial Corporation as of December 31, 2005 and the related consolidated statements of operations, comprehensive income (loss), stockholders equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Camco Financial Corporation as of December 31, 2005 and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Camco Financial Corporation s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 1, 2006, expressed an unqualified opinion thereon.

February 1, 2006
Auburn Hills, Michigan

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Camco Financial Corporation

We have audited the accompanying consolidated statement of financial condition of Camco Financial Corporation as of December 31, 2004, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity and cash flows for each of the years in the two year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Corporation s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Camco Financial Corporation as of December 31, 2004, and the consolidated results of its operations and its cash flows for each of the years in the two year period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP
Cincinnati, Ohio
March 10, 2005

Table of Contents

CAMCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31,
(In thousands, except share data)

	2005	2004
ASSETS		
Cash and due from banks	$ 21,786	$ 25,849
Interest-bearing deposits in other financial institutions	11,299	17,045
Cash and cash equivalents	33,085	42,894
Investment securities available for sale at market	47,907	19,839
Investment securities held to maturity at cost, approximate market value of $947 and $4,174 as of December 31, 2005 and 2004, respectively	919	4,123
Mortgage-backed securities available for sale at market	61,607	80,321
Mortgage-backed securities held to maturity at cost, approximate market value of $3,251 and $4,188 as of December 31, 2005 and 2004, respectively	3,257	4,146
Loans held for sale at lower of cost or market	1,947	2,837
Loans receivable net	846,763	833,829
Office premises and equipment net	11,569	11,647
Real estate acquired through foreclosure	2,581	2,280
Federal Home Loan Bank stock at cost	27,112	25,797
Accrued interest receivable	5,297	4,503
Prepaid expenses and other assets	1,228	1,530
Cash surrender value of life insurance	20,793	20,042
Goodwill net of accumulated amortization	6,683	6,736
Prepaid and refundable federal income taxes	500	5,299
Total assets	**$ 1,071,248**	**$ 1,065,823**
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	$ 660,242	$ 667,778
Advances from the Federal Home Loan Bank and other borrowings	307,223	295,310
Advances by borrowers for taxes and insurance	3,249	3,030
Accounts payable and accrued liabilities	5,331	5,391
Dividends payable	1,102	1,109
Deferred federal income taxes	3,338	3,884
Total liabilities	980,485	976,502
Commitments		
Stockholders equity		
Preferred stock $1 par value; authorized 100,000 shares; no shares outstanding		
	8,830	8,760

Common stock $1 par value; authorized 14,900,000 shares; 8,829,839 and 8,759,676 shares issued at December 31, 2005 and 2004, respectively		
Additional paid-in capital	59,567	58,935
Retained earnings restricted	42,569	38,234
Accumulated other comprehensive income (loss) unrealized gains (losses) on securities designated as available for sale, net of related tax effects	(1,663)	(263)
Less 1,251,125 and 1,096,523 shares of treasury stock at December 31, 2005 and 2004, respectively at cost	(18,540)	(16,345)
Total stockholders equity	90,763	89,321
Total liabilities and stockholders equity	**$ 1,071,248**	**$ 1,065,823**

The accompanying notes are an integral part of these statements.

Table of Contents

CAMCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2005, 2004 and 2003
(In thousands, except per share data)

	2005	2004	2003
Interest income			
Loans	$ 50,165	$ 46,932	$ 47,982
Mortgage-backed securities	2,827	3,016	3,439
Investment securities	1,266	772	1,267
Interest-bearing deposits and other	2,820	2,228	2,187
Total interest income	57,078	52,948	54,875
Interest expense			
Deposits	15,434	13,945	16,037
Borrowings	11,095	13,567	15,200
Total interest expense	26,529	27,512	31,237
Net interest income	30,549	25,436	23,638
Provision for losses on loans	1,480	1,620	1,446
Net interest income after provision for losses on loans	29,069	23,816	22,192
Other income			
Late charges, rent and other	2,076	1,672	1,964
Title fees	752	778	1,596
Loan servicing fees	1,480	1,519	1,617
Gain on sale of loans	683	819	3,607
Mortgage servicing rights net	20	402	543
Service charges and other fees on deposits	1,483	1,410	1,157
Gain on sale of investment and mortgage-backed securities	113	135	839
Gain (loss) on sale of real estate acquired through foreclosure	(23)	347	52
Gain on sale of branch deposits, premises and equipment, net	8	6,626	36
Total other income	6,592	13,708	11,411
General, administrative and other expense			
Employee compensation and benefits	13,881	13,313	14,026
Deferred loan origination costs SFAS No. 91	(2,166)	(2,227)	(3,510)
Occupancy and equipment	3,051	3,390	3,783
Data processing	1,368	1,318	1,330
Advertising	1,218	1,047	763
Franchise taxes	267	992	1,170
Other operating	5,135	5,008	4,842

Federal Home Loan Bank advance prepayment fees		18,879	1,292
Total general, administrative and other expense	22,754	41,720	23,696
Earnings (loss) before federal income taxes (credits)	12,907	(4,196)	9,907
Federal income taxes			
Current	3,965	(1,572)	3,574
Deferred	176	(88)	(523)
Total federal income taxes (credits)	4,141	(1,660)	3,051
NET EARNINGS (LOSS)	**$ 8,766**	**$ (2,536)**	**$ 6,856**
EARNINGS (LOSS) PER SHARE			
Basic	**$ 1.15**	**$ (.34)**	**$ .92**
Diluted	**$ 1.15**	N/A	**$ .91**

The accompanying notes are integral part of these statements.

Table of Contents

CAMCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2005, 2004 and 2003
(In thousands)

	2005	**2004**	**2003**
Net earnings (loss)	$ 8,766	$ (2,536)	$ 6,856
Other comprehensive income (loss), net of tax effects:			
Unrealized holding gains (losses) on securities during the period, net of taxes (benefits) of $(683), $(195) and $(689) in 2005, 2004 and 2003, respectively	(1,325)	(379)	(1,338)
Reclassification adjustment for realized gains included in operations, net of taxes of $38, $45 and $285 for the years ended December 31, 2005, 2004 and 2003, respectively	(75)	(90)	(554)
Comprehensive income (loss)	**$ 7,366**	**$ (3,005)**	**$ 4,964**

The accompanying notes are an integral part of these statements.

CAMCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
For the years ended December 31, 2005, 2004 and 2003
(In thousands, except per share data)

	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on securities designated as available for sale	Treasury stock	Total stockholders equity
Balance at January 1, 2003	$ 8,311	$ 54,063	$ 42,497	$ 2,098	$ (8,368)	$ 98,601
Stock options exercised	118	1,069				1,187
Cash dividends declared $.57 per share			(4,232)			(4,232)
Net earnings for the year ended December 31, 2003			6,856			6,856
Purchase of treasury shares					(7,977)	(7,977)
Unrealized losses on securities designated as available for sale, net of related tax benefits				(1,892)		(1,892)
Balance at December 31, 2003	8,429	55,132	45,121	206	(16,345)	92,543
Stock options exercised	53	499				552
Cash dividends declared $.58 per share			(4,351)			(4,351)
Acquisition of London Financial	278	3,304				3,582
Net loss for the year ended December 31, 2004			(2,536)			(2,536)
Unrealized losses on securities designated as available for sale, net of related tax benefits				(469)		(469)

Balance at December 31, 2004	8,760	58,935	38,234	(263)	(16,345)	89,321
Stock options exercised	70	632				702
Cash dividends declared $.58 per share			(4,431)			(4,431)
Net earnings for the year ended December 31, 2005			8,766			8,766
Purchase of treasury shares					(2,195)	(2,195)
Unrealized losses on securities designated as available for sale, net of related tax benefits				(1,400)		(1,400)
Balance at December 31, 2005	**$ 8,830**	**$ 59,567**	**$ 42,569**	**$ (1,663)**	**$ (18,540)**	**$ 90,763**

The accompanying notes are an integral part of these statements.

Table of Contents

CAMCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2005, 2004 and 2003

(In thousands)

	2005	2004	2003
Cash flows from operating activities:			
Net earnings (loss) for the year	$ 8,766	$ (2,536)	$ 6,856
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Amortization of premiums and discounts on investment and mortgage-backed securities net	466	980	2,418
Amortization of mortgage servicing rights net	972	1,184	2,922
Depreciation and amortization	1,198	1,450	1,879
Amortization of purchase accounting adjustments net	89	89	5
Provision for losses on loans	1,480	1,620	1,446
Provision for losses on real estate acquired through foreclosure	95	113	30
Amortization of deferred loan origination fees	96	(57)	(398)
(Gain) loss on sale of real estate acquired through foreclosure	23	(347)	(52)
Gain on sale of investment and mortgage-backed securities transactions	(113)	(135)	(839)
Gain on sale of branch deposits, premises and equipment, net	(8)	(6,626)	(36)
Federal Home Loan Bank stock dividends	(1,315)	(1,032)	(955)
Net increase in cash surrender value of life insurance	(751)	(706)	(790)
Gain on sale of loans	(683)	(819)	(3,607)
Loans originated for sale in the secondary market	(68,844)	(115,266)	(228,969)
Proceeds from sale of mortgage loans in the secondary market	70,417	118,705	282,612
Tax benefits related to exercise of stock options	111	84	210
Increase (decrease) in cash, net of acquisitions, due to changes in:			
Accrued interest receivable	(794)	59	834
Prepaid expenses and other assets	5,101	30	606
Accounts payable and other liabilities	(7)	554	(196)
Federal income taxes			
Current		(3,722)	(184)
Deferred	176	(88)	(523)
Net cash provided by (used in) operating activities	16,475	(6,466)	63,269
Cash flows provided by (used in) investing activities:			
Proceeds from maturities of investment securities	10,375	21,100	21,596
Proceeds from sale of investment securities designated as available for sale	302	1,638	3,811
Purchase of investment securities designated as available for sale	(36,094)	(15,997)	(10,341)
Purchase of investment securities designated as held to maturity		(2,991)	
Proceeds from sale of mortgage-backed securities designated as available for sale		13,050	59,111
Purchase of mortgage-backed securities designated as available for sale	(3,349)	(43,301)	(112,989)
			(961)

Purchase of mortgage-backed securities designated as held to maturity			
Principal repayments on mortgage-backed securities	21,030	30,624	83,058
Loan disbursements	(331,469)	(221,268)	(378,511)
Purchases of loans	(11,141)	(27,301)	(12,056)
Principal repayments on loans	323,314	212,450	324,463
Loans transferred in sale of branch offices		42,634	
Purchase of branch premises and equipment net	(1,121)	(727)	(876)
Proceeds from sale of office premises and equipment	9	8,579	145
Proceeds from sale of real estate acquired through foreclosure	3,362	4,988	4,158
Additions to real estate acquired through foreclosure	(56)	(76)	
Purchase of life insurance		(1,596)	
Proceeds from redemption of life insurance			422
Purchase of London Financial Corporation, Inc., net		(1,701)	
Net cash provided by (used in) investing activities	(24,838)	20,105	(18,970)
Net cash provided by (used in) operating and investing activities (balance carried forward)	(8,363)	13,639	44,299

Table of Contents

CAMCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended December 31, 2005, 2004 and 2003
(In thousands)

	2005	2004	2003
Net cash provided by (used in) operating and investing activities (balance brought forward)	$ (8,363)	$ 13,639	$ 44,299
Cash flows provided by (used in) financing activities:			
Net increase (decrease) in deposits	(7,536)	14,929	(22,798)
Sale of branch deposits		(63,657)	
Proceeds from Federal Home Loan Bank advances	56,500	189,650	73,850