CAMCO FINANCIAL CORP
Form 10-Q
May 06, 2005

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

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

For the quarterly period ended March 31, 2005

OR

[ ] 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 43725-9757

(Address of principal executive office) (Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [X] No [ ]

As of May 4, 2005, the latest practicable date, 7,678,747 shares of the registrant's common stock, $1.00 par value, were issued and outstanding.

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CAMCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

	MARCH 31, 2005
ASSETS	
Cash and due from banks	$ 24,551
Interest-bearing deposits in other financial institutions	15,244
Cash and cash equivalents	39,795
Investment securities available for sale - at market	26,539
Investment securities held to maturity - at cost, approximate market value of $1,162 and $4,174 as of March 31, 2005 and December 31, 2004, respectively	1,123
Mortgage-backed securities available for sale - at market	77,538
Mortgage-backed securities held to maturity - at cost, approximate market value of $3,952 and $4,188 as of March 31, 2005 and December 31,	

2004, respectively	3,979
Loans held for sale - at lower of cost or market	4,616
Loans receivable - net	837,140
Office premises and equipment - net	11,448
Real estate acquired through foreclosure	2,087
Federal Home Loan Bank stock - at cost	26,083
Accrued interest receivable	4,416
Prepaid expenses and other assets	1,369
Cash surrender value of life insurance	20,227
Goodwill - net of accumulated amortization	6,683
Prepaid federal income taxes	1,591
Total assets	$ 1,064,634
LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits	$ 674,853
Advances from the Federal Home Loan Bank	289,302
Advances by borrowers for taxes and insurance	2,024
Accounts payable and accrued liabilities	4,402
Dividends payable	1,114
Deferred federal income taxes	3,360
Total liabilities	975,055
Commitments	-
Stockholders' equity	
Preferred stock - $1 par value; authorized 100,000 shares; no shares outstanding	-
Common stock - $1 par value; authorized 14,900,000 shares; 8,775,272 and 8,759,676 shares issued at March 31, 2005 and December 31, 2004, respectively	8,775
Additional paid-in capital	59,078
Retained earnings - substantially restricted	39,335
Accumulated other comprehensive income (loss) - unrealized gains on securities designated as available for sale, net of related tax effects	(1,264)
Less 1,096,525 and 1,096,523 shares of treasury stock at March 31, 2005 and December 31, 2004, respectively - at cost	(16,345)
Total stockholders' equity	89,579
Total liabilities and stockholders' equity	$ 1,064,634

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CAMCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended March 31,
(In thousands, except per share data)

	2005	2004

Interest income		
Loans	$ 11,962	$ 11,415
Mortgage-backed securities	751	607
Investment securities	185	182
Interest-bearing deposits and other	607	525
Total interest income	13,505	12,729
Interest expense		
Deposits	3,503	3,349
Borrowings	2,634	3,309
Total interest expense	6,137	6,658
Net interest income	7,368	6,071
Provision for losses on loans	240	255
Net interest income after provision for losses on loans	7,128	5,816
Other income		
Late charges, rent and other	745	640
Loan servicing fees	378	386
Service charges and other fees on deposits	334	272
Gain on sale of loans	170	276
Increase (decrease) in valuation of mortgage servicing rights - net	51	(102)
Gain (loss) on sale of real estate acquired through foreclosure	9	(13)
Gain on sale of mortgage-backed securities and fixed assets	19	77
Total other income	1,706	1,536
General, administrative and other expense		
Employee compensation and benefits	3,446	3,480
Deferred loan origination costs - SFAS No. 91	(482)	(484)
Occupancy and equipment	797	874
Data processing	331	342
Advertising	229	254
Franchise taxes	79	214
Other operating	1,165	1,190
Total general, administrative and other expense	5,565	5,870
Earnings before federal income taxes	3,269	1,482
Federal income taxes		
Current	1,059	412
Deferred	(8)	36
Total federal income taxes	1,051	448
NET EARNINGS	$ 2,218	$ 1,034
EARNINGS PER SHARE		
Basic	$ .29	$ .14
Diluted	$ .29	$ .14

Dividends declared per share	$ .145	$ .145

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CAMCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31,
(In thousands)

	2005	2004
Net earnings	$ 2,218	$ 1,03
Other comprehensive income, net of tax:		
Unrealized holding gains (losses) on securities during the period, net of tax effects (benefits) of $(511) and $167 in 2005 and 2004, respectively	(992)	32
Reclassification adjustment for realized gains included in earnings net of taxes of $4 and $26 in 2005 and 2004, respectively	(9)	(5
Comprehensive income	$ 1,217	$ 1,30
Accumulated comprehensive income	$(1,264)	$ 48

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CAMCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,
(In thousands)

	2005	
Cash flows from operating activities:		
Net earnings for the period	$ 2,218	$
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Amortization of deferred loan origination fees	19	
Amortization of premiums and discounts on investment and mortgage-backed securities - net	135	
Amortization of mortgage servicing rights - net	151	
Depreciation and amortization	320	

Amortization of loan purchase accounting adjustments, net	(22)
Provision for losses on loans	240
Loss (gain) on sale of real estate acquired through foreclosure	(9)
Gain on sale of mortgage-backed securities	(13)
Federal Home Loan Bank stock dividends	(286)
Gain on sale of loans	(170)
Loans originated for sale in the secondary market	(16,150)
Proceeds from sale of loans in the secondary market	14,541
Net increase in cash surrender value of life insurance	(185)
Tax benefits related to exercise of stock options	32
Increase (decrease) in cash due to changes in:	
Accrued interest receivable	87
Prepaid expenses and other assets	214
Accrued interest and other liabilities	(989)
Federal income taxes	
Current	3,708
Deferred	(8)
Net cash provided by (used in) operating activities	3,833
Cash flows provided by (used in) investing activities:	
Purchases of investment securities designated as available for sale	(8,978)
Proceeds from sale of investments designated as available for sale	27
Proceeds from maturities of investment securities	5,000
Proceeds from sale of mortgage-backed securities designated as available for sale	-
Principal repayments on mortgage-backed securities	4,911
Purchases of mortgage-backed securities designated as available for sale	(3,349)
Loan principal repayments	67,526
Additions to real estate acquired through foreclosre	(6)
Loan disbursements	(71,156)
Purchases of loans	(854)
Additions to office premises and equipment	(121)
Proceeds from sale of real estate acquired through foreclosure	993
Net cash used in investing activities	(6,007)
Net cash (used in) provided by operating and investing activities balance carried forward	(2,174)

CAMCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the three months ended March 31,
(In thousands)

	2005	2004
Net cash (used in) provided by operating and investing activities (balance brought forward)	$ (2,174)	$(31,276)
Cash flows provided by (used in) financing activities:		
Net increase (decrease) in deposits	7,075	(2,228)

Proceeds from Federal Home Loan Bank advances	-	25,650
Repayment of Federal Home Loan Bank advances	(6,008)	(5,106)
Dividends paid on common stock	(1,112)	(1,064)
Proceeds from exercise of stock options	126	210
Decrease in advances by borrowers for taxes and insurance	(1,006)	(1,136)
Net cash provided by (used in) financing activities	(925)	16,326
Increase (decrease) in cash and cash equivalents	(3,099)	(14,950)
Cash and cash equivalents at beginning of period	42,894	53,711
Cash and cash equivalents at end of period	$ 39,795	$ 38,761
Supplemental disclosure of cash flow information: Cash paid during the period for: Interest on deposits and borrowings	$ 6,190	$ 6,787
Supplemental disclosure of noncash investing activities:		
Unrealized gains (losses) on securities designated as available for sale, net of related tax effects	$ (992)	$ 325
Transfers from mortgage loans to real estate acquired through foreclosure	$ 1,200	$ 1,907
Dividends declared but unpaid	$ 1,114	$ 1,067

CAMCO FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2005 and 2004

1. Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Camco Financial Corporation ("Camco" or the "Corporation") included in Camco's Annual Report on Form 10-K for the year ended December 31, 2004. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements, have been included. The results of operations for the three month period ended March 31, 2005, are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

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

3. Critical Accounting Policies

"Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as disclosures found elsewhere in this quarterly report, are based upon Camco's consolidated financial statements, which are prepared in accordance with US GAAP. The preparation of these financial statements requires Camco to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under US GAAP.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, 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.

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CAMCO FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

3. Critical Accounting Policies (continued)

ALLOWANCE FOR LOAN LOSSES (continued)

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 judgement 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 judgement about the credit quality of the loan portfolio. While the Corporation strives to reflect all known risk factors in its evaluations, judgment errors may occur.

During the year end audit, Camco's previous auditors identified a lack of comprehensive procedural documentation concerning the asset classification of specific loans in accordance with FAS No. 114. Management has taken corrective actions, which it has discussed with the Audit Committee and the current auditors, and, as of the date of this report, management has tested Camco's internal control over financial reporting relating to the FAS No. 114 deficiency and believes that the deficiency that was considered to be a material weakness as of December 31, 2004 has been corrected. See Item 4 "Controls and Procedures" for a discussion of the corrective actions taken.

MORTGAGE SERVICING RIGHTS

To determine the fair value of its mortgage servicing rights ("MSRs") each reporting quarter, the Corporation 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 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.

3. Critical Accounting Policies (continued)

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 the valuation techniques take 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 and management for review.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

4. Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under the Corporation's stock option plans. The computations are as follows:

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2005	2004
Weighted-average common shares outstanding (basic)	7,677,795	7,345,340
Dilutive effect of assumed exercise of stock options	33,638	62,276
Weighted-average common shares outstanding (diluted)	7,711,433	7,414,616

Anti-dillutive options to purchase 167,879 and 17,705 shares of common stock with respective weighted-average exercise prices of $16.46 and $17.17 were outstanding at March 31, 2005 and 2004, respectively, but were excluded from the computation of common share equivalents for those respective periods because the exercise prices were greater than the average market price of the common shares.

5. Stock Option Plans

Under the 1995 Plan, 161,488 shares were reserved for issuance. Under the 2002 Plan, 400,000 shares were reserved for issuance. Additionally, in connection with the acquisition of First Savings, the stock options of First Savings were converted into options to purchase 174,421 shares of the Corporation's stock at an exercise price of $7.38 per share, which expire in 2005. In connection with the 2000 acquisition of Westwood Homestead, the stock options of Westwood Homestead were converted into options to purchase 311,794 shares of the Corporation's stock at a weighted-average exercise price of $11.89 per share, which expire in 2008.

The Corporation accounts for its stock option plans in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," which contains a fair-value based method for valuing stock-based compensation that entities may use, that measures compensation cost at the grant date based on the fair value of the award. Alternatively, SFAS No. 123 permits entities to continue to account for stock options and similar equity instruments under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that continue to account for stock options using APB Opinion No. 25 are required to make pro forma disclosures of net earnings and earnings per share, as if the fair-value based method of accounting defined in SFAS No. 123 had been applied.

CAMCO FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

5. Stock Option Plans (continued)

The Corporation utilizes APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for the plans. Had compensation cost for the Corporation's stock option plans been determined based on the fair value at the grant dates for awards under the plans consistent with the accounting method utilized in SFAS No. 123, the Corporation's net earnings and earnings per share for the three-month periods ended March 31, 2005 and 2004, would have been reported as the pro forma amounts indicated below:

		2005	2004
		(In thousands, except per share data)	
NET EARNINGS	As reported	$ 2,218	$ 1,034
	Stock-based compensation, net of tax	(21)	(7)
	Pro-forma	$ 2,197	$ 1,027
EARNINGS PER SHARE			
BASIC	As reported	$ .29	$ .14
	Stock-based compensation, net of tax	-	-
	Pro-forma	$ .29	$ .14
DILUTED	As reported	$ .29	$ .14
	Stock-based compensation, net of tax	(.01)	-
	Pro-forma	$ .28	$ .14

The fair value of each option grant is estimated on the date of grant using the modified Black-Scholes options-pricing model with the following assumptions used for grants during 2005 and 2004: dividend yield of 3.80% and 3.40%, respectively; expected volatility of 18.76% and 21.44% respectively; a risk-free interest rate of 4.22% and 4.11% respectively, and an expected life of ten years for all grants.

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CAMCO FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

5. Stock Option Plans (continued)

A summary of the status of the Corporation's stock option plans as of March 31, 2005 and December 31, 2004, and changes during the periods ending on those dates is presented below:

	THREE MONTHS ENDED MARCH 31, 2005 WEIGHTED-AVERAGE		YEAR ENDED DECEMBER 31, 2004 WEIGHTED-AVERAGE	
	SHARES	EXERCISE PRICE	SHARES	EXERCISE PRICE
Outstanding at beginning of year	218,324	$ 12.91	257,072	$ 12.11
Granted	87,240	16.51	17,705	17.17
Exercised	(15,595)	8.11	(52,911)	8.83
Forfeited	(150)	17.17	(3,542)	15.03
Outstanding at end of year	289,819	$ 11.08	218,324	$ 12.91
Options exercisable at year-end	200,483	$ 13.27	175,542	$ 12.05
Weighted-average fair value of options granted during the year		$ 2.89		$ 3.59

The following information applies to options outstanding at March 31, 2005:

Number outstanding	31,911
Range of exercise prices	$ 7.40-8.94
Number outstanding	38,575
Range of exercise prices	$ 9.75-11.36
Number outstanding	51,454
Range of exercise prices	$12.50-14.65
Number outstanding	167,879
Range of exercise prices	$16.13-17.17
Weighted-average exercise price	$ 11.08
Weighted-average remaining contractual life	6.9 years

6. 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 similar 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.

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CAMCO FINANCIAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three-month periods ended March 31, 2005 and 2004

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

At March 31, 2005, Camco's consolidated assets totaled $1.1 billion, a decrease of $1.2 million, or .1%, from the December 31, 2004 total. The decrease in total assets was comprised primarily of decreases in prepaid federal income taxes, mortgage-backed securities available for sale, cash and cash equivalents and investments held to maturity which were partially offset by an increase in investments available for sale, loans receivable and loans held for sale.

Cash and interest-bearing deposits in other financial institutions totaled $39.8 million at March 31, 2005, a decrease of $3.1 million, or 7.2%, from December 31, 2004 levels. Investment securities totaled $27.7 million at March 31, 2005, an increase of $3.7 million, or 15.4%, from the total at December 31, 2004. Investment securities purchases of $9.0 million were comprised primarily of intermediate-term callable U.S. Government agency obligations with an average yield of 3.87%, which were partially offset by $5.0 million of investment maturities.

Mortgage-backed securities totaled $81.5 million at March 31, 2005, a decrease of $3.0 million, or 3.5%, from December 31, 2004. Mortgage-backed securities purchases totaled $3.3 million, while principal repayments totaled $4.9 million coupled with a decrease in market value of $1.3 million for the three-month period ended March 31, 2005. Purchases of mortgage-backed securities during the period were comprised primarily of short duration mortgage-backed securities yielding 4.17%, all of which were classified as available for sale.

Loans receivable, including loans held for sale, totaled $841.8 million at March 31, 2005, an increase of $5.1 million, or .6%, from December 31, 2004. The increase resulted primarily from loan disbursements and purchases totaling $88.2 million, which were partially offset by principal repayments of $67.5 million and loan sales of $14.4 million. The volume of loans originated and purchased during the first three months of 2005 decreased compared to the 2004 period by $10.3 million, or 10.4%, while the volume of loan sales decreased by $12.1 million or 45.7% year to year. As interest rates have moved off their historical lows, loans originated and purchased moved away from fixed rate lending to adjustable rate lending. Camco has typically held adjustable-rate mortgage loans in its portfolio as part of its strategy to maintain an asset-sensitive interest-rate risk position; however as of March 31, 2005 we are slightly liability sensitive. Loan originations during the three-month period ended March

31, 2005, were comprised primarily of $38.4 million of loans secured by one- to four-family residential real estate, $30.8 million in loans secured by commercial real estate and $19.0 million in consumer and other loans. Management will 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 $6.6 million and $6.5 million at March 31, 2005 and December 31, 2004, respectively, representing 61.8% and 66.1% of nonperforming loans, respectively, at those dates. Nonperforming loans (90 days or more delinquent plus nonaccrual loans) totaled $10.7 million and $9.8 million at March 31, 2005 and December 31, 2004, respectively, constituting 1.28% and 1.17% of total net loans, including loans held for sale, at those dates. At March 31, 2005, nonperforming loans were comprised of $6.3 million in one- to four-family residential real estate loans, $1.9 million in commercial and multi-family real estate loans and $2.3 million of consumer and non-residential loans. Management believes all nonperforming loans are adequately collateralized and no loss is expected over and above allocated reserves on such loans. Loans delinquent greater than 30 days but less than 90 days totaled $4.0 million at March 31, 2005, compared to $12.3 million at December 31, 2004, a decrease of $8.3 million, or 67.3%. The decrease was primarily due to commercial loans of approximately $6.0 million being paid current in the first quarter of 2005. Although management believes that its allowance for loan losses is adequate based upon the available facts and circumstances at March 31, 2005, there can be no assurance that increased provisions will not be necessary in future periods, which could adversely affect Camco's results of operations.

Discussion of Financial Condition Changes from December 31, 2004 to March 31, 2005 (continued)

Deposits totaled $674.9 million at March 31, 2005, an increase of $7.1 million, or 1.1%, from the total at December 31, 2004. The increase in deposits was primarily due to a $15.6 million increase of certificates of deposit resulting from competitive pricing, which was partially offset by the decrease of $5.2 million in interest bearing checking and $3.1 million of money market and savings accounts primarily due to the movement to higher yielding certificates of deposit. FHLB advances totaled $289.3 million at March 31, 2005, a decrease of $6.0 million, or 2.0%, from the total at December 31, 2004. The decrease in advances was primarily due to the paydown of repurchase based advances of $3.0 million, a $2.0 million fixed rate advance maturing in March 2005 and continued amoritization.

Stockholders' equity totaled $89.6 million at March 31, 2005, an increase of $258,000, or .3%, from December 31, 2004. The increase resulted primarily from net earnings of $2.2 million, proceeds from the exercise of stock options of $158,000 which were partially offset by dividends of $1.1 million and a decrease in the unrealized gains on available for sale securities of $1.0 million.

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

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

Camco: As of March 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)	$90,096	12.54%	> or = $57,468	> or = 8.0%	N/A	N/A
Tier I capital (to risk-weighted assets)	$83,460	11.62%	> or = $28,734	> or = 4.0%	N/A	N/A
Tier I leverage	$83,460	7.89%	> or = $42,308	> or = 4.0%	N/A	N/A

Advantage: At March 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)	$80,942	11.29%	> or = $57,353	> or = 8.0%	> or = $71,691	> or = 1
Tier I capital (to risk-weighted assets)	$74,306	10.36%	> or = $28,677	> or = 4.0%	> or = $43,015	> or =
Tier I leverage	$74,306	7.09%	> or = $41,912	> or = 4.0%	> or = $52,390	> or =

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CAMCO FINANCIAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

Discussion of Financial Condition Changes from December 31, 2004 to March 31, 2005 (continued)

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.

Comparison of Results of Operations for the Three Months Ended March 31, 2005 and 2004

General

Camco's net earnings for the three months ended March 31, 2005 totaled $2.2 million, an increase of $1.2 million, or 114.5%, from the $1.0 million of net earnings reported in the comparable 2004 period. The increase in earnings was primarily attributable to a $1.3 million, or 21.4% increase in net interest income and a decrease of $305,000, or 5.2% in general, administrative and other expenses, which were partially offset by an increase in federal income tax expense of $603,000.

Net Interest Income

Total net interest income amounted to $7.4 million for the three months ended March 31, 2005, an increase of $1.3 million, or 21.4%, compared to the three-month period ended March 31, 2004, generally reflecting the effects of an increase in yield on total interest-earning assets of 21 basis points, from 5.15% in the 2004 period to 5.36% in 2005, and a $18.6 million, or 1.9%, increase in the average balance of interest-earning assets outstanding year to year.

Interest income on loans totaled $12.0 million for the three months ended March 31, 2005, an increase of $547,000, or 4.8% from the comparable 2004 period. The increase resulted primarily from an increase of average balance outstanding of $28.4 million or 3.5% in the 2005 quarter coupled with a 7 basis point increase in the average yield to 5.69% from 5.62% in 2004. Interest income on mortgage-backed securities totaled $751,000 for the three months ended March 31, 2005, a $144,000, or 23.7% increase from the 2004 quarter. The increase was due primarily to a 78 basis point increase in the average yield, to 3.65% for the 2005 period, offset partially by a $2.3 million, or 2.7%, decrease in the average balance outstanding in the 2005 period. Interest income on investment securities increased by $3,000, or 1.7%, due primarily to a 40 basis point increase in the average yield, to 3.04% in the 2005 period offset partially by a $3.2 million or 11.8% decrease in the average balance outstanding in the 2005 period. Interest income on other interest-earning assets increased by $82,000, or 15.6%, due primarily to a 78 basis point increase in the average yield, to 4.04% in 2005 partially offset by a decrease of $4.3 million, or 6.7%, in the average balance outstanding in the 2005 period.

Interest expense on deposits totaled $3.5 million for the three months ended March 31, 2005, an increase of $154,000, or 4.6%, compared to the same quarter in 2004, due primarily to a 10 basis point increase in the average cost of deposits to 2.18% in the current quarter, offset partially by a $1.9 million, or .3%, decrease in average deposits outstanding. Interest expense on borrowings totaled $2.6 million for the three months ended March 31, 2005, a decrease of $675,000, or 20.4%, from the same 2004 three-month period. The decrease resulted primarily from a 142 basis point decrease in the average cost of borrowings to 3.59%, and a $29.4 million, or 11.1%, decrease in the average

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

Comparison of Results of Operations for the Three Months Ended March 31, 2005 and 2004 (continued)

balance outstanding year to year. Increases in the level of average yields on interest-earning assets and average costs of interest-bearing liabilities (deposits) were due primarily to the overall increase in interest rates in the economy offset partially by a December restructuring of $144.1 million of FHLB borrowings which carried an average fixed rate of 6.25%. The borrowings were replaced with various fixed-rate advances having a weighted average rate of approximately 3.7% as of December 31, 2004. The restructuring transaction positioned itself well in our balance sheet as a result of our recent and continuing efforts to manage towards shorter duration assets generated from commercial and consumer loans.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $1.3 million, or 21.4%, to a total of $7.4 million for the three months ended March 31, 2005. The interest rate spread increased to approximately 2.74% at March 31, 2005, from 2.22% at March 31, 2004, while the net interest margin increased to approximately 2.93% for the three months ended March 31, 2005, compared to 2.46% 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 $240,000 for the three months ended March 31, 2005, a decrease of $15,000, or 5.9%, from the comparable period in 2004. Management believes all classified loans are adequately collateralized, however, there can be no assurance that the loan loss allowance will be adequate to absorb losses on known classified assets or that the allowance will be adequate to cover losses on classified assets in the future.

Other Income

Other income totaled $1.7 million for the three months ended March 31, 2005, an increase of $170,000, or 11.1%, from the comparable 2004 period. The increase in other income was primarily attributable to a $153,000 increase in the valuation of mortgage servicing rights, a $106,000 increase in late charges, rent and other. Which was offset partially by a decrease of $106,000 in gain on sale of loans. The increase in mortgage servicing rights was attributable to slowed amortization related to the reduction of loan prepayments in the servicing portfolio in 2005. The increase in late charges, rent and other was due to prepayment penalty fees, late charge income, offset partially by a decrease in title premium at Camco Title Agency, Inc. The decrease in gain on sale of loans was due primarily to a decrease in the volume of loans sold of $12.1 million or 45.7%, from the volume of loans sold in the 2004 period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

Comparison of Results of Operations for the Three Months Ended March 31, 2005 and 2004 (continued)

General, Administrative and Other Expense

General, administrative and other expense totaled $5.6 million for the three months ended March 31, 2005, a decrease of $305,000, or 5.2%, from the comparable period in 2004. The decrease in general, administrative and other expense was due primarily to a decrease of $135,000, or 63.1%, in franchise taxes and a $77,000, or 8.8%, decrease in occupancy and equipment. The decrease in franchise tax was primarily due to acquiring London Financial Corporation in August of 2004 and changing charters to a state chartered commercial bank. This is a one time savings which will only occur in 2005. The decrease in occupancy and equipment was due primarily to the sale of the Kentucky division, consisting of two branches, in December of 2004 and a decrease in depreciation expense.

Federal Income Taxes

The provision for federal income taxes totaled $1.1 million for the three months ended March 31, 2005, an increase of $603,000, or 134.6%, compared to the three months ended March 31, 2004. This increase was primarily attributable to a $1.8 million, or 120.6%, increase in pre-tax earnings. The Corporation's effective tax rates amounted to 32.2% and 30.2% for the three-month periods ended March 31, 2005 and 2004, respectively. Due to the FHLB restructuring of advances in 2004, a net loss was recorded. The tax credit relating to the loss will be utilized toward 2005 estimated payments.

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 primary sources of funds include deposits, borrowings and principal and interest repayments on loans. The deposit base includes local and state deposits. State of Ohio deposits equated to $30.0 million at March 31, 2005 and December 31, 2004. Other funding sources include Federal Home Loan Bank advances of which approximately $85.8 million additional borrowing capacity was available as of March 31, 2005.

CAMCO FINANCIAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

For the three-month periods ended March 31, 2005 and 2004

Comparison of Results of Operations for the Three Months Ended March 31, 2005 and 2004 (continued)

The following table sets forth information regarding the Bank's obligations and commitments to make future payments under contract as of March 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	$ 148	$ 208	$ 96	$ 188	$ 640
Advances from the Federal Home Loan Bank (1)	32,046	76,711	86,004	57,574	252,302
Certificates of deposit	203,420	127,866	44,687	1,508	377,481
Amount of commitments expiring per period					
Commitments to originate loans:					
Overdraft lines of credit	739	-	-	-	739
Home equity lines of credit	65,081	-	-	-	65,081
Commercial lines of credit	4,107	-	-	-	4,107
One- to four-family and multi-family loans	3,453	-	-	-	3,453
Commercial	2,646	-	-	-	2,646
Non-residential real estate and land loans	434	-	-	-	434
Total contractual obligations	$312,041	$204,785	$130,787	$ 59,270	$706,883

(1) Fully secured asset borrowings totaling $37.0 million are not included.

ITEM 3: Quantitative and Qualitative Disclosures about Market Risk

There has been no material change in the Corporation's market risk since the Corporation's Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2004.

CAMCO FINANCIAL CORPORATION

CONTROLS AND PROCEDURES

For the three-month periods ended March 31, 2005 and 2004

ITEM 4: Controls and Procedures

Camco's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the disclosure controls and procedures (as defined under Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934, as amended) as of March 31, 2005. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Camco's disclosure controls and procedures are effective.

In the first quarter of 2005, Management communicated to appropriate Company employees detailed written procedures that clearly document in detail the Company's process for identifying and evaluating non-homogeneous loans under FAS No. 114. The procedures clearly require that once a loan meets review criteria and is determined to have a probable loss, such loan will be deemed impaired and the impairment will be valued using either the fair value of collateral, present value of future cash flows or an observable market price. The Company will assure that adequate evidence and documentation exists to support the decision. These procedures were augmented to assure that adequate evidence exists to support all decisions made regarding classification of individual reviewed loans. The Company has tested the actions outlined above and believes it has corrected the deficiency in internal control that was considered to be a material weakness at December 31, 2004.

There were no changes in Camco's internal control over financial reporting that could have materially affected, or are reasonably likely to materially affect, Camco's internal control over financial reporting.

Camco Financial Corporation

PART II

ITEM 1. Legal Proceedings

Not applicable.

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

None.

ITEM 3. Defaults Upon Senior Securities

Not applicable

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

Not applicable

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits

Exhibit 31(i) Section 302 certification by Chief Executive Officer

Exhibit 31(ii) Section 302 Certification by Chief Financial Officer

Exhibit 32(i) Section 1350 certification by Chief Executive Officer

Exhibit 32(ii) Section 1350 certification by Chief Financial Officer

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SIGNATURES

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

Date: May 4, 2005

By: /s/ Richard C. Baylor
Richard C. Baylor
Chief Executive Officer

Date: May 4, 2005

By: /s/ Mark A. Severson
Mark A. Severson
Chief Financial Officer