CAMCO FINANCIAL CORP
Form 10-Q/A
November 09, 2010

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FORM 10-Q/A
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from __________ to __________

Commission File Number 0-25196

CAMCO FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

814 Wheeling Avenue, Cambridge, Ohio 43725-9757

(Address of principal executive office) (Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

As of August 12, 2010, the latest practicable date, 7,205,595 shares of the registrant s common stock, $1.00 par value, were outstanding.

Camco Financial Corporation
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Camco Financial Corporation
Quarterly Report on Form 10-Q/A for the period ended June 30, 2010

EXPLANATORY NOTE

Camco Financial Corporation (the Company) is filing this Amendment No. 1 (Amended Report) to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was originally filed with the Securities and Exchange Commission (SEC) on August 16, 2010 (the Original Report), to restate the Company s unaudited consolidated financial statements for the quarterly period ended June 30, 2010 and amend related disclosures in the Selected Financial Data and Management s Discussion and Analysis.

As previously disclosed in the Company s Form 8-K filing on October 27, 2010, on October 26, 2010, the Board of Directors of the Company, in consultation with management and after working with our regulators, the Federal Reserve Bank of Cleveland (FRB), and Advantage Bank s (Bank) regulators, the FDIC and Ohio Department of Financial Institutions, determined that the previously issued unaudited consolidated financial statements for the quarter ended June 30, 2010, contained in the Original Report should be restated to reflect an additional provision for losses on loans of $4.3 million. Accordingly, the previously issued consolidated financial statements for such period could no longer be relied upon.

The Company hereby amends Part 1. Financial Statements and Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, to reflect a restatement of the financial statements in connection with the following:

The Company s net loss after tax for the three months ended June 30, 2010, is $4.1 million compared to earnings of $219,000. Loss per basic share for the second quarter of 2010 is $(.57), compared to the originally reported earnings per share of $.03. Due to the adjustments to the financial results for the second quarter of 2010, the Company s after tax net loss for the six months ended June 30, 2010, is $4.0 million compared to net earnings of $348,000. Loss per basic share for the six months ended 2010 is $(.55), compared to the originally reported basic earnings per share of $.05.

The provision for losses on loans for the second quarter of 2010 increased from $894,000 to $5.2 million. As a result of the increased provision for loan losses, the allowance for loan losses as of June 30, 2010 increased to $15.7 million, or 36.8% of non performing loans, compared to the originally reported amount of $11.4 million, or 26.6% of non performing loans.

Loans receivable net declined to $675.9 million from the previously reported level of $680.2 million and total assets declined to $840.1 million from the previously reported level of $844.4 million.

Total stockholders equity at June 30, 2010 declined $4.3 million to $56.9 million from $61.2 million.

The Board of Directors has discussed the matters disclosed in the report on Form 8-K with Plante & Moran, PLLC, which serves as our independent registered public accounting firm.

For the specific line items restated and a more detailed description of the changes made in this restatement *See* Part 1, Item 8, Restatement of Previously Issued Financial Statements .

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Camco Financial Corporation
Quarterly Report on Form 10-Q/A for the period ended June 30, 2010

EXPLANATORY NOTE

Further discussion regarding the Bank s allowance for loan loss methodology, nonaccrual and other problem loans, and the establishment of the valuation allowance for deferred tax assets can be found in Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations.

While we are amending only certain portions of our Original Report, for convenience and ease of future reference, we are filing the entire Quarterly Report for the quarter ended June 30, 2010, in this Amended Report.

This Amended Report also includes currently-dated certifications from the Company s Chief Executive Officer and Principal Financial Accounting Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The Company has not modified or updated disclosures presented in the Original Report, except as required to specifically reflect the effects of the restatement in the Amended Report. Accordingly, this Amended Report does not reflect other events occurring after the Original Report, nor does it modify or update those disclosures affected by other subsequent events. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the Original Report.

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

	June 30, 2010 (unaudited) (As Restated)	December 31, 2009
ASSETS		
Cash and due from banks	$ 18,033	$ 20,490
Interest-bearing deposits in other financial institutions	15,534	17,663
Cash and cash equivalents	33,567	38,153
Securities available for sale, at fair value	38,396	55,950
Securities held to maturity, at cost, approximate fair value of $2,828 and $2,200 as of June 30, 2010 and December 31, 2009, respectively	2,742	2,113
Loans held for sale at lower of cost or fair value	1,669	475
Loans receivable net	675,920	659,022
Office premises and equipment net	10,450	10,870
Real estate acquired through foreclosure	10,599	9,660
Federal Home Loan Bank stock at cost	29,888	29,888
Accrued interest receivable	3,659	3,979
Mortgage servicing rights at lower of cost or fair value	4,339	4,433
Prepaid expenses and other assets	5,420	5,712
Cash surrender value of life insurance	19,029	18,838
Prepaid and refundable federal income taxes	4,384	3,562
Total assets	$ **840,062**	$ **842,655**
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	$ 652,872	$ 659,902
Other Borrowings	11,879	11,941
Advances from the Federal Home Loan Bank and other borrowings	108,111	97,291
Advances by borrowers for taxes and insurance	145	1,909
Accounts payable and accrued liabilities	10,149	11,098
Total liabilities	783,156	782,141
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; 8,884,509 shares issued at June 30, 2010 and December 31, 2009	8,885	8,885
Additional paid-in capital	60,262	60,124

Retained earnings		10,725		14,695
Accumulated other comprehensive income net of related tax effects		1,242		1,049
Unearned compensation; 50,000 shares		(94)		(125)
Treasury stock 1,678,913 shares at June 30, 2010 and December 31, 2009, at cost		(24,114)		(24,114)
Total stockholders equity		56,906		60,514
Total liabilities and stockholders equity	$	**840,062**	**$**	**842,655**

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

(unaudited)	Six months ended June 30, 2010 (As Restated)	Six months ended June 30, 2009	Three months ended June 30, 2010 (As Restated)	Three months ended June 30, 2009
Interest income				
Loans	$ 18,561	$ 20,613	$ 9,281	$ 10,046
Investment securities	1,073	1,819	495	844
Other interest-earning accounts and dividends	673	689	333	344
Total interest and dividend income	20,307	23,121	10,109	11,234
Interest expense				
Deposits	5,689	8,420	2,744	3,948
Borrowings	1,989	2,971	992	1,402
Total interest expense	7,678	11,391	3,736	5,350
Net interest income	12,629	11,730	6,373	5,884
Provision for losses on loans	6,117	1,438	5,212	790
Net interest income after provision for losses on loans	6,512	10,292	1,161	5,094
Other income				
Rent and other	737	982	328	521
Loan servicing fees	637	632	320	316
Service charges and other fees on deposits	1,116	1,071	598	570
Gain on sale of loans	490	773	261	404
Mortgage servicing rights Net	(94)	269	(124)	209
Income on cash surrender value life insurance	435	494	220	238
Gain on sale of mortgage-backed securities and fixed assets	(1)	4	(1)	4
Total other income	3,320	4,225	1,602	2,262
General, administrative and other expense				
Employee compensation and benefits	6,654	6,540	3,269	3,064
Occupancy and equipment	1,485	1,543	743	761
Federal deposit insurance premium	1,036	1,061	558	779
Data processing	566	614	286	307
Advertising	170	297	89	125

Franchise taxes		534		582		269		314
Postage, supplies and office expenses		567		687		274		327
Travel, training and insurance		176		138		98		73
Professional services		1,171		858		596		414
Real estate owned and other expenses		831		829		409		555
Loan and deposit expenses		727		748		384		174
Total general, administrative and other expenses		13,917		13,897		6,975		6,893
Earnings (loss) before federal income tax expense (benefit)		(4,085)		620		(4,212)		463
Total federal income tax expense (benefit)		(115)		383		(113)		461
NET EARNINGS (LOSS)	**$**	**(3,970)**	**$**	**237**	**$**	**(4,099)**	**$**	**2**
EARNINGS (LOSS) PER SHARE								
Basic	**$**	**(.55)**	**$**	**.03**	**$**	**(.57)**	**$**	**.00**
Diluted	**$**	**(.55)**	**$**	**.03**	**$**	**.(.56)**	**$**	**.00**
Dividends declared per share		**.00**		**.02**		**.00**		**.01**

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

(unaudited)	Six months ended June 30, 2010 (As Restated)	Six months ended June 30, 2009	Three months ended June 30, 2010 (As Restated)	Three months ended June 30, 2009
Net earnings (loss)	$ (3,970)	$ 237	$ (4,099)	$ 2
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) during the period, net of tax effects $99 and$(8), $64 and $(122) for the respective periods	193	(16)	125	(237)
Comprehensive income (loss)	**$** (3,777)	**$** 221	**$** (3,974)	**$** (235)

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30,
(In thousands)

(unaudited)	2010 (As Restated)	2009
Cash flows from operating activities:		
Net earnings (loss) for the period	$ (3,970)	$ 237
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Amortization of deferred loan origination fees	67	242
Amortization of premiums and discounts on investment and mortgage-backed securities net	8	(30)
Amortization of mortgage servicing rights net	546	459
Depreciation and amortization	628	546
Provision for losses on loans	6,117	1,438
Stock option expense	138	228
Provision for losses on REO	192	321
Loss on sale of real estate acquired through foreclosure	30	15
Restricted stock / unearned compensation	31	31
(Gain) loss on sale of investments and fixed assets	1	(4)
Gain on sale of loans	(490)	(773)
Loans originated for sale in the secondary market	(29,293)	(71,732)
Proceeds from sale of loans in the secondary market	28,589	69,320
Net increase in cash surrender value of life insurance	(351)	(411)
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	320	412
Prepaid expenses and other assets	(629)	(229)
Accrued interest and other liabilities	(949)	(943)
Net cash provided by (used in) operating activities	985	(873)
Cash flows provided by (used in) investing activities:		
Principal repayments, maturities on securities held to maturity	195	11,224
Principal repayments, maturities on securities available for sale	17,842	33,396
Purchase of investment securities designated as available for sale		(24,019)
Purchase of investment securities designated as held to maturity	(828)	
Loan principal repayments	73,863	111,338
Loan disbursements and purchased loans	(100,079)	(55,964)
Proceeds from sale of office premises and equipment	10	4
Proceeds from surrender of bank owned life insurance	160	4,460
Additions to office premises and equipment	(219)	(106)
Proceeds from sale of real estate acquired through foreclosure	1,521	2,514
Net cash provided by (used in) investing activities	(7,535)	82,847

Net cash provided by (used in) operating and investing activities (balance carried forward)	(6,550)	81,974

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Camco Financial Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the six months ended June 30,
(In thousands)

(unaudited)	**2010 (As Restated)**	**2009**
Net cash provided by (used in) operating and investing activities (balance brought forward)	$ (6,550)	$ 81,974
Cash flows used in financing activities:		
Net increase (decrease) in deposits	(7,030)	(12,353)
Proceeds from Federal Home Loan Bank advances and other borrowings	87,606	22,000
Repayment of Federal Home Loan Bank advances and other borrowings	(76,848)	(59,397)
Dividends paid on common stock		(144)
Decrease in advances by borrowers for taxes and insurance	(1,764)	(2,239)
Net cash provided by (used in) financing activities	1,964	(52,133)
Increase (decrease) in cash and cash equivalents	(4,586)	29,841
Cash and cash equivalents at beginning of period	38,153	52,285
Cash and cash equivalents at end of period	**$ 33,567**	**$ 82,126**
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest on deposits and borrowings	**$ 7,690**	**$ 11,509**
Cash received for income taxes	**$**	**$ 806**
Supplemental disclosure of noncash investing activities:		
Recognition of mortgage-servicing rights	**$ 358**	**$ 728**
Transfer of loans to real estate acquired through foreclosure	**$ 2,682**	**$ 3,289**

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Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six- and three-month periods ended June 30, 2010 and 2009 (As Restated)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America (US GAAP). Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Camco Financial Corporation (Camco or the Corporation) included in Camco s Annual Report on Form 10-K for the year ended December 31, 2009. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the six month period ended June 30, 2010, are not necessarily indicative of the results which may be expected for the entire year.

2. Loans and Related Allowance for Loan Losses:

The Bank s allowance for loan losses as a percentage of total loans was 2.39% as of June 30, 2010, including the increase resulting from the effects of this restatement and reflects directional consistency from 2.38% as of December 31, 2009, See Item 2 Managements Discussion and Analysis of Financial Condition and Results of Operations for further discussion on the Provisions for Losses on Loans . Management believes that the allowance for loan losses at June 30, 2010 is adequate after considering the specific categories of loans, specific categories of classified loans and individual classified assets. The adequacy of the ALLL is determinable only on an approximate basis, since estimates and qualitative factors are used in the process. Although management believes the allowance for loan loss is adequate, there is no assurance that at any given period the Company will not sustain charge-offs that are substantial in relation to the size of the allowance.

A continued decline in current economic conditions and the declining interest rates have had an effect on the ability of borrowers to repay outstanding loans, the value of real estate and other collateral securing loans and the value of real estate owned by us, as well as our financial condition and results of operations in general.

3. 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.

Critical Accounting Policies

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

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 and interpretation of relevant 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, incurred losses inherent in the loan portfolio at the balance sheet dates presented. Our evaluation of the adequacy of the allowance for loan losses is an estimate based on management s current judgment about the credit

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six- and three-month periods ended June 30, 2010 and 2009 (As Restated)

Allowance for Loan Losses (continued)

quality of the loan portfolio. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for loan pools that are based on historical loss experience, and general loss estimates that are based upon the size, quality, and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower s ability to repay, and current economic and industry conditions. Also considered as part of that judgment is a review of the Bank s trends in delinquencies and loan losses, as well as trends in delinquencies and losses for the region and nationally, and economic factors. While we strive to reflect all known risk factors in our evaluations, actual results may differ significantly from our estimates.

Mortgage Servicing Rights

To determine the fair value of our mortgage servicing rights (MSRs) each reporting quarter, we provide information to a third party valuation firm who assists us with determining the possible impairment of MSRs, as described below. MSRs are recognized as separate assets when loans are sold with servicing retained. A pooling methodology to the servicing valuation, in which loans with similar characteristics are pooled together, is applied for valuation purposes. Once pooled, each grouping of loans is evaluated on a discounted earnings basis to determine the present value of future earnings that the Bank could expect to realize from the portfolio. Earnings are projected from a variety of sources including loan service fees, interest earned on float, net interest earned on escrow balances, miscellaneous income and costs to service the loans. The present value of future earnings is the estimated fair value for the pool, calculated using consensus assumptions that a third party purchaser would utilize in evaluating a potential acquisition of the servicing.

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 we estimate, takes into consideration the investment portfolio average yield as well as current short duration investment yields. We believe 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 earnings figures approximate the cash flow that could be received from the servicing portfolio. Valuation results are presented quarterly to management. At that time, we review the information and MSRs are marked to the lower of amortized cost or fair value for the current quarter

Deferred Income Taxes

Camco recognizes expense for federal income taxes currently payable as well as for deferred federal taxes for estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the consolidated balance sheets, as well as loss carry forwards and tax credit carry forwards. Realization of a deferred tax asset is dependent upon generating sufficient taxable income in either the carry forward or carries back periods to cover net operating losses generated by the reversal of temporary differences. A valuation allowance is provided by way of a charge to income tax expense if it is determined that it is more likely than not that some or all of the deferred tax asset will not be realized. If different assumptions and conditions were to prevail, the valuation allowance may not be adequate to absorb unrealized deferred taxes and the amount of income taxes payable may need to be adjusted by way of a charge or credit to expense. Furthermore, income tax returns are subject to audit by the IRS. Income tax expense for current and prior periods is subject to adjustment based upon the outcome of such audits. Camco believes it has adequately accrued for all probable income taxes payable. Accrual of income taxes payable and valuation allowances against deferred tax assets are estimates subject to change based upon the outcome of future event.

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Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six- and three-month periods ended June 30, 2010 and 2009

4. Earnings Per Share

Basic earnings per common share are 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:

In thousands, except per share data	For the six months ended June 30, 2010 As Restated	For the six months ended June 30, 2009	For the three months ended June 30, 2010 Restated	For the three months ended June 30, 2009
BASIC:				
Net Earnings (loss)	$ (3,970)	$ 237	$ (4,099)	$ 2
Weighted average common shares outstanding	7,206	7,199	7,206	7,206
Basic earnings (loss) per share	**$ (.55)**	**$ .03**	**$ (.57)**	**$ .00**
DILUTED:				
Net Earnings (loss)	$ (3,970)	$ 237	$ (4,099)	$ 2
Weighted average common shares outstanding	7,206	7,199	7,206	7,206
Dilutive effect of stock options		1		6
Total common shares and dilutive potential common shares	7,206	7,200	7,206	7,212
Earnings (loss) per share Diluted	**$ (.55)**	**$ .03**	**$ (.56)**	**$ .00**

Anti-dilutive options to purchase 480,092 and 318,638 shares of common stock with respective weighted-average exercise prices of $13.86 and $11.58 were outstanding at June 30, 2010 and 2009, respectively, but were excluded from the computation of common share equivalents for the six months ended because the exercise prices were greater than average market price of the common shares.

Anti-dilutive options to purchase 480,092 and 243,638 shares of common stock with respective weighted-average exercise prices of $13.86 and $14.37 were outstanding at June 30, 2010 and 2009, respectively, but were excluded from the computation of common share equivalents for the three months ended because the exercise prices were greater than average market price of the common shares

5. Stock Option Plans

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

The fair value of each option grant is estimated on the date of grant using the modified Black-Scholes options-pricing model. The following table details the fair value and assumptions used to value stock options as of the grant date that were granted during the six months ended June 30, 2010 and 2009:

	2010	2009
Fair value, calculated	$ 1.65	$ 1.43
Exercise Price	$ 2.51	$ 2.46
Risk-free interest rate	3.61%	2.66%
Expected stock price volatility	51.62%	61.00%
Expected dividend yield		1.63%
Expected Life	10 years	10 years

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Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six- and three-month periods ended June 30, 2010 and 2009

5. Stock Option Plans (continued)

A summary of the status of the Corporation s stock option plans as of June 30, 2010 and December 31, 2009, and changes during the periods ending on those dates is presented below:

	Six months ended June 30, 2010		**Year ended December 31, 2009**	
	Shares	**Weighted-average exercise price**	**Shares**	**Weighted-average exercise price**
Outstanding at beginning of period	260,833	$ 10.59	260,703	$ 14.11
Granted	260,729	2.51	80,000	2.46
Exercised				
Forfeited or Expired	(41,470)	15.27	(79,870)	13.96
Outstanding at end of period	**480,092**	**$** 5.80	**260,833**	**$ 10.59**
Options exercisable at end of period	259,029	**$** 8.24	**235,451**	**$ 10.54**
Weighted-average fair value of options granted during the period		**$ 1.65**		**$ 1.43**

The following information applies to options outstanding at June 30, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$1.89 - $2.51	340,729	9.4	2.50	132,117	2.48
$8.92 - $9.75	24,014	6.8	9.00	15,394	9.05
$11.36 - $14.16	59,474	5.3	13.37	55,643	13.45
$14.55 - $17.17	55,875	3.9	16.45	55,875	16.45
	480,092	8.1	5.80	259,029	8.24

6. Fair Value of Financial Instruments

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

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six- and three-month periods ended June 30, 2010 and 2009

6. Fair Value of Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Commitments to Extend Credit: For fixed-rate and adjustable-rate loan commitments, the fair value estimate considers the difference between current levels of interest rates and committed rates. At June 30, 2010 and December 31, 2009, the fair value of loan commitments was not material.

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6. Fair Value of Financial Instruments (continued)

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

	June 30, 2010		December 31, 2009	
	Carrying value (As Restated)	Fair value (As Restated)	Carrying value	Fair value
	(In thousands)			
Financial assets				
Cash and cash equivalents	$ 33,567	$ 33,567	$ 38,153	$ 38,153
Investment securities available for sale	38,396	38,396	55,950	55,950
Investment securities held to maturity	2,742	2,828	2,113	2,200
Loans held for sale	1,669	1,698	475	485
Loans receivable	675,920	657,637	659,022	646,990
Federal Home Loan Bank stock	29,888	29,888	29,888	29,888
Accrued interest receivable	3,659	3,659	3,979	3,979
Financial liabilities				
Deposits	652,872	638,722	659,902	647,149
Advances from the Federal Home Loan Bank	108,111	113,458	97,291	101,924
Repurchase agreements	6,879	6,879	6,941	6,941
Subordinated debentures	5,000	4,799	5,000	4,768
Advances by borrowers for taxes and insurance	145	145	1,909	1,909
Accrued interest payable	1,646	1,646	1,669	1,669

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

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

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

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

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

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6. Fair Value of Financial Instruments (continued)

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

		Fair Value Measurements at Reporting Date Using		
(in thousands)	June 30, 2010	Level 1	Level 2	Level 3
Securities available for sale:				
U.S. government sponsored enterprises	$ 4,083	$	$ 4,083	$
Corporate equity securities	96		96	
Mortgage-backed securities	34,217		34,217	

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

		Fair Value Measurements at Reporting Date Using			
(in thousands)	Balance @ June 30, 2010	Level 1	Level 2	Level 3	Change in fair value for the period ended
Impaired loans	$ 30,236			$ 30,236	$ 1,820
Real estate acquired through foreclosure	10,599			10,599	122
	Balance @ December 31, 2009				
Impaired loans	$ 25,982			$ 25,982	$ 13,081
Real estate acquired through foreclosure	9,660			9,660	945

Impaired loans, which are measured for impairment using the fair value of the collateral at June 30, 2010, had a carrying amount of $30.2 million, with a valuation allowance of $1.1 million, resulting in an additional provision for loan losses of $1.0 million during the first half of 2010.

Loans held for sale are originated on forward commitment contracts and are reported at the lower of cost or fair value. All loans held for sale at June 30, 2010, are secured by liens on 1-4 family residential properties.

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

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

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7. Recent Accounting Pronouncements

In July 2010, FASB issued a statement which expands disclosures about credit quality of financing receivables and allowance for credit losses. The standard will require the Corporation to expand disclosures about the credit quality of loans and the related reserves against them. The extra disclosures will include details on past due loans, credit quality indicators, and modifications of loans. The Corporation will adopt the standard beginning with our December 31, 2010 financial statements.

8. Restatement of Previously Issued Financial Statement

Subsequent to the Company s filing of its Quarterly Report on Form 10-Q for the three months ended June 30, 2010, the Board of Directors of the Corporation, in consultation with management and after working with our regulators, the Federal Reserve Bank of Cleveland, and the Bank s regulators, the FDIC and Ohio Department of Financial Institutions, made the decision to restate its previously reported results of operations and financial condition for the quarter ended June 30, 2010. Management determined to refine the allowance valuation process and enhance the calculation of the reserve for loan losses by considering an expanded scope of information and reviewing qualitative and judgmental factors used to estimate losses inherent in the loan portfolio. As a result, the Bank amended its Call Report of Condition and the Holding Company amended its Y9C and Y9LP as of and for the six months ended June 30, 2010. All amounts as of December 31, 2009 in the accompanying condensed consolidated financial statements have not been restated.

As a result of the restatement, the following line items were adjusted:	Restated	Previously Reported	Effect of Change
Consolidated Balance Sheet at June 30, 2010 (unaudited):			
Loans receivable net	$ 675,920	$ 680,238	$ (4,318)
Total assets	840,062	844,380	(4,318)
Retained earnings	10,725	15,043	(4,318)
Total stockholders equity	56,906	61,224	(4,318)
Total liabilities and stockholders equity	840,062	844,380	(4,318)
Consolidated Statements of Operations (unaudited)			
Three Months ended June 30, 2010			
Provision for losses on loans	$ 5,212	$ 894	$ 4,318
Net interest income after provision for losses on loans	1,161	5,479	4,318
Earnings (Loss) before federal income tax expenses (benefit)	(4,212)	106	(4,318)
Net earnings (loss)	(4,099)	219	(4,318)
Comprehensive income (loss)	(3,974)	344	(4,318)
Earnings (loss) per share			
Basic	(.57)	.03	(.60)
Diluted	(.57)	.03	(.60)
Consolidated Statements of Operations (unaudited)			
Six Months ended June 30, 2010			
Provision for losses on loans	$ 6,117	$ 1,799	$ 4,318
Net interest income after provision for losses on loans	6,512	10,830	4,318
Earnings (loss) before federal income tax expenses (benefit)	(4,085)	233	(4,318)
Net earrings (loss)	(3,970)	348	(4,318)
Comprehensive income (loss)	(3,777)	541	(4,318)
Earnings (loss) per share			

Basic	(.55)	.05	(.58)
Diluted	(.55)	.05	(.58)
Consolidated Statements of Cash Flows (unaudited)			
Six Months Ended June 30, 2010			
Net earnings (loss) for the period	$ (3,970)	$ 348	$ (4,318)
Provision for losses on loans	6,117	1,799	4,318

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8. Restatement of Previously Issued Financial Statement (continued)

As a result of the restatement, the following line items were adjusted:	Restated	Previously Reported	Effect of Change
Nonaccrual and delinquent loans			
Allowance for loan losses	$ 15,676	$ 11,358	$ 4,318
Non performing assets to total assets	6.34%	6.31%	.03%
ALLL as a percent of nonperforming loans	36.8%	26.6%	10.2%
Fair Value of Financial Instruments			
Carrying amount	$ 675,920	$ 680,238	$ (4,318)
Fair value	657,637	662,238	(4,601)
Regulatory Capital Camco Financial Corporation			
Total capital to risk-weighted assets	10.46%	11.05%	(.59)%
Tier 1 capital to risk-weighted assets	9.20%	9.80%	(.60)%
Tier 1 leverage to average assets	7.05%	7.56%	(.51)%
Regulatory Capital Advantage Bank			
Total capital to risk-weighted assets	9.80%	10.39%	(.59)%
Tier 1 capital to risk-weighted assets	8.54%	9.14%	(.60)%
Tier 1 leverage to average assets	6.56%	7.07%	(.51)%
Average Balances, Yield, Rate and Volume Data Three Months Ended June 30, 2010			
Noninterest-earning assets	$ 98,182	$ 99,262	$ (1,080)
Total average assets	849,729	850,809	(1,080)
Total average shareholders equity	59,946	61,026	(1,080)
Total liabilities and shareholders equity	849,729	850,809	(1,080)
Average Balances, Yield, Rate and Volume Data Six Months Ended June 30, 2010			
Noninterest-earning assets	$ 90,781	$ 91,398	$ (617)
Total average assets	851,362	851,979	(617)
Total average shareholders equity	60,223	60,840	(617)
Total liabilities and shareholders equity	851,362	851,979	(617)

See Item 2 Managements Discussion and Analysis of Financial Condition and Results of Operations for further discussion on the Provisions for Losses on Loans .

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL
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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operation

Forward Looking Statements

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which statements can be identified by the use of forward-looking terminology, such as may, might, could, would, believe, expect, intend, plan, seek, anticipate, estimate, project or continue or the negative thereof or comparable terminology. All statements other than statements of historical fact included in this document regarding our outlook, financial position and results of operation, liquidity, capital resources and interest rate sensitivity are forward-looking statements. The Corporation undertakes no responsibility to update or revise any forward-looking statements to reflect events or circumstances after the date on which the statement is made. These forward-looking statements also relate to, among other things:

anticipated changes in industry conditions created by state and federal legislation and regulations;

anticipated changes in general interest rates and the impact of future interest rate changes on our profitability, capital adequacy and the fair value of our financial assets and liabilities;

retention of our existing customer base and our ability to attract new customers;

the development of new products and services and their success in the marketplace;

the adequacy of the allowance for loan losses; and

statements regarding our anticipated loan and deposit account growth, expense levels, liquidity and capital resources and projections of earnings.

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

competition in the industry and markets in which we operate;

levels of nonperforming assets;

changes in general interest rates;

loan demand;

rapid changes in technology affecting the financial services industry;

real estate values;

changes in government regulation; and

general economic and business conditions.

Overview

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

For the six months ended June 30, 2010, Camco reported a loss of $4.0 million compared to $237,000 of net earnings reported for the first half of 2009. Earnings (loss) per share for the six months ended June 30, 2010 and 2009, were ($0.55) and $0.03, respectively.

The following key items summarize the Corporation s financial results during the six months ended June 2010:

- Loans receivable increased $16.9 million as a result of strong commercial lending efforts
- Total delinquencies have decreased $2.1 million
- Net Interest Margin increased to 3.32% from 2.91% at December 31, 2009
- Total deposits decreased $7.0 million, primarily due to the decrease in wholesale certificates of deposit

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Discussion of Financial Condition Changes from December 31, 2009 to June 30, 2010

At June 30, 2010, Camco s consolidated assets totaled $840.1 million, a decrease of $2.6 million, or .3%, from December 31, 2009. The decrease in total assets resulted primarily from decreases in securities available for sale and cash offset partially by increases in loans receivable.

Cash and interest-bearing deposits in other financial institutions totaled $33.6 million at June 30, 2010, a decrease of $4.6 million, or 12.0%, from December 31, 2009. As noted in our annual report for fiscal year 2009, we have improved our liquidity position by reducing borrowings and will continue to utilize excess cash to reduce borrowings and originate new loans in the third quarter of 2010. However, additionally we have seen a decrease of $7.0 million, or 1.1%, in deposits which are primarily related to higher yielding wholesale certificates of deposits and public funds. We continue to price certificates of deposit specials and continue our efforts to retain our core customers. We have implemented a number of organizational and product development initiatives to increase commercial and small business checking accounts.

Securities totaled $41.1 million at June 30, 2010, a decrease of $16.9 million, or 29.1% from December 31, 2009. The decrease was attributable to principal repayments totaling $18.0 million offset partially by the purchases of $828,000 of securities for the six-month period ended June 30, 2010. Purchases were comprised of municipal bonds with an average yield of 4.26%. All of the securities purchased were classified as held to maturity.

Loans receivable, including loans held for sale, totaled $677.6 million at June 30, 2010, an increase of $18.1 million, or 2.7%, from December 31, 2009. The increase resulted primarily from loan disbursements totaling $129.4 million offset partially by principal repayments of $73.9 million and loan sales of $28.1 million. The volume of loans originated and purchased during the first six months of 2010 increased compared to the 2009 period by $1.7 million, or 1.3%, while the volume of loan sales decreased by $40.4 million, or 59.0%, period to period. The increase in outstanding loans during the six months ending June 30, 2010 occurred primarily in our commercial portfolios. While we have seen a slight increase in prepayments on residential mortgage loans, our ability to produce new residential mortgage loans has not been as strong as 2009. The reduction in residential real estate loan balances was intensified by the secondary market offering historically low long-term fixed rates during most of 2009, which resulted in significantly higher refinancing activity during that time period.

Loan originations during the six-month period ended June 30, 2010, included $77.1 million of commercial loans, $10.2 million in loans secured by one to four family residential real estate and $42.1 million in consumer and other loans. Our intent is to continue to service our communities in 1-4 family residential, consumer and commercial real estate lending in future periods.

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

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We have continued the strategy of transforming our balance sheet toward commercial and consumer loans and in 2009 we increased our monitoring process and expanded our leadership in the commercial lending and underwriting teams in order to expand our product offerings and improve the execution of our relationship lending within our markets.

The following table details 30 89 days delinquent loans at:

	June 30, 2010		December 31, 2009	
	30 89 days delinquent		30 89 days delinquent	
Residential	$	3,893	$	4,818
Multifamily		1,539		79
Non Residential		273		2,693
Construction / development		5		534
Commercial		261		92
HELOC and second mortgage		1,962		2,020
Consumer and other		147		77
Total	$	8,080	$	10,313

Delinquency from the 30-89 days decreased due to transition to non accrual status (3 or more payments overdue) in the first half of 2010 and is depicted in the schedule on page 18.

The allowance for loan losses totaled $15.7 million and $16.1 million at June 30, 2010 and December 31, 2009, representing 36.8% and 44.2% of nonperforming loans, respectively, at those dates. Nonperforming loans (loans with three payments or more delinquent plus nonaccrual loans) totaled $42.6 million and $36.4 million at June 30, 2010 and December 31, 2009, respectively, constituting 6.15% and 5.40% of total loans receivable net, including loans held for sale, at those dates. Net charge-offs totaled $6.5 million for the first half of 2010.

Subsequently, the Company reviewed our current methodology by incorporating additional analysis, factors, approach and additional validation testing. It was determined based on many of the subjective factors such as the qualitative factors, continued stress in the economic environment, increased nonperforming loans and consultation with the regulators that additional provision was required for the current inherent risk in our portfolios.

Management analyzes the allowance, historical loss activity, and qualitative factors impacting the loan portfolio and allowance on an on-going basis. As part of the analysis, the loan portfolio is segmented into two portfolio sectors by collateral types so that the inherent risk in each segment is addressed in the calculation of the allowance for loan losses (ALLL). The ALLL represents management s best estimate of losses inherent in the existing loan portfolio. The ALLL is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. The provision for loan losses is determined based on management s assessment of several qualitative factors: historical charge offs relating to each loan collateral type, changes in the nature and volume of the loan portfolio, current economic conditions and the related impact on specific collateral types, the risk characteristics related to such, the level of classified and nonperforming loans and the results of regulatory examinations.

Impaired loans are analyzed on a loan by loan basis due to the unique characteristics of each loan. Loans are considered impaired if, based on current information and events, it is probable that we will be unable to collect the scheduled payments due according to the contractual terms of the loan agreement. Collateral dependent loans are measured for impairment based on the fair value of the collateral. A loan is considered collateral dependent if the repayment of the loan is expected to be provided solely by the underlying collateral. The fair value of the underlying collateral is generally determined by utilizing an appraisal of the collateral discounted for estimated costs to sell.

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Discussion of Financial Condition Changes from December 31, 2009 to June 30, 2010 (continued)

Although we believe that the allowance for loan losses at June 30, 2010, is adequate to cover probable, incurred losses inherent in the loan portfolio at that date based upon the available facts and circumstances, there can be no assurance that additions to the allowance for loan losses will not be necessary in future periods, which could adversely affect operations. Unemployment rates in our markets, and Ohio in general, continues to be higher than the national average, and bankruptcy and foreclosure filings in Ohio are very high compared to the rest of the nation. Additionally, Ohio is experiencing declining values of residential real estate. However, Ohio in general has not experienced significant increases in home values over the past five years like many regions in the U.S., which should comparatively mitigate losses on loans. Nonetheless, these factors, compounded by a very uncertain national economic outlook, may increase the level of future losses beyond our current expectations.

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

(As Restated)	June 30, 2010	March 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
			(Dollars in thousands)		
Loans accounted for on nonaccrual basis:					
Real estate:					
Residential[1]	$ 25,282	21,287	$ 19,190	$ 20,616	$ 8,411
Multi-family	2,133	2,430	2,341	3,139	871
Nonresidential	7,994	7,747	3,857	18,057	6,908
Construction	4,175	4,587	4,382	8,603	5,568
Commercial	542	3,297	515	1,393	455
Home equity lines of credit	2,384	2,624	2,415	1,549	925
Consumer and other	133	145	148	127	857
Total nonaccrual loans	42,643	42,117	32,848	53,484	23,995
Accruing loans delinquent three months or more					
Real estate:					
Residential				44	1,520
Multi-family		155			
Nonresidential		192	2,853		
Construction		745	638		
Commercial		110	110		
Total loans 90 days past due and accruing		1,202	3,601	44	1,520
Total nonperforming loans	42,643	43,319	36,449	53,528	25,515
Other real estate owned	10,599	10,373	9,660	5,841	5,034
Total nonperforming assets	$ 53,242	53,692	$ 46,109	$ 59,369	$ 30,549

Allowance for loan losses	$ 15,676	15,821	$ 16,099	$ 15,747	$ 6,623
Nonperforming loans as a percent of total net loans (2)	6.15%	6.18%	5.40%	6.91%	3.13%
Nonperforming assets to total assets	6.34%	6.16%	5.19%	5.93%	2.99%
Allowances for loan losses as a percent of nonperforming loans	36.8%	36.5%	44.2%	29.4%	26.0%
Memo section:					
Troubled debt restructurings					
Loans and leases restructured and in compliance with modified terms	$ 3,721	17,894	$ 16,645	11,440	
Loans and leases restructured and not in compliance with modified terms (included in non-accrual)	$ 16,792	9,978	$ 4,783	12,882	

(1) Includes loans secured by first and junior liens

(2) Includes loans held for sale.

Nonaccrual status denotes loans greater than three payments past due, loans for which, in the opinion of management, the collection of additional interest is unlikely, or loans that meet nonaccrual criteria as established by regulatory authorities.

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Discussion of Financial Condition Changes from December 31, 2009 to June 30, 2010 (continued)

Payments received on a nonaccrual loan are either applied to the outstanding principal balance or recorded as interest income, depending on management s assessment of the collectability of the loan.

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

(As Restated)	June 30, 2010	December 31, 2009
	(Dollars in thousands)	
Balance at beginning of year	$ 16,099	$ 15,747
Charge-offs:		
1-4 family residential real estate (1)	2,740	8,267
Multifamily & nonresidential real estate	706	9,664
Other Construction and Land	400	2,484
Consumer	9	20
Commercial	3,059	2,052
Agriculture Loans		41
Overdraft Protection	4	18
Total charge-offs	6,918	22,546
Recoveries:		
1-4 family residential real estate (1)	170	445
Multifamily & nonresidential real estate	97	621
Other Construction and Land	3	
Consumer		
Commercial	102	22
Agriculture Loans	2	
Overdraft Protection	4	18
Total recoveries	378	1,106
Net (charge-offs) recoveries	6,540	21,440
Provision for losses on loans	6,117	21,792
Balance at end of period	$ 15,676	$ 16,099

(1) Includes home equity lines of credit

At June 30, 2010, the Corporation s real estate owned (REO) consisted of 144 repossessed properties with a net book value of $10.6 million. Initial loss is recorded as a charge to the allowance for loan losses. The Corporation works with borrowers to avoid foreclosure if possible. If it becomes inevitable that a borrower will not be able to retain ownership of its property, the Corporation often seeks a deed in lieu of foreclosure in order to facilitate the recovery process.

Thereafter, if there is a further deterioration in value, a specific valuation allowance is established and charged to operations. The Corporation reflects costs to carry REO as period costs in operations when incurred. When property is acquired through foreclosure or deed in lieu of foreclosure, it is initially recorded at the fair value of the related assets at the date of foreclosure, less estimated costs to sell the property. As a result, real estate owned grew $939,000 during the six months of 2010. The strategy of pursuing deeds in lieu of foreclosure more aggressively should result in a reduction in the holding period for nonperforming assets and ultimately reduce economic losses.

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Discussion of Financial Condition Changes from December 31, 2009 to June 30, 2010 (continued)

Deposits totaled $652.9 million at June 30, 2010 a decrease of $7.0 million, or 1.1%, from the total at December 31, 2009. The following table details our deposit portfolio balances and the average rate paid on our deposit portfolio at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009		Change	
	Balance	Rate	Balance	Rate	Balance	Rate
Noninterest-bearing demand	$ 42,095	0.00%	$ 38,911	0.00%	$ 3,184	0.00%
Interest-bearing demand	61,983	0.32	70,564	0.43	(8,581)	(0.11)
Money market	94,934	0.68	96,172	0.68	(1,238)	0.00
Savings	39,117	0.25	36,638	0.25	2,479	0.00
Certificates of deposit retail	393,944	2.28	385,622	2.70	8,322	(0.42)
Certificates of deposit brokered	20,799	3.34	31,995	3.19	(11,196)	0.15
Total deposits	$ 652,872	1.62%	$ 659,902	1.89%	$ (7,030)	(0.27)%

In early 2009, brokered deposits were used to reduce borrowings and improve the Bank s liquidity position. However, we acknowledge that brokered deposits are not core, franchise-enhancing deposits, and we plan to continue with our current strategy of improving the long-term funding mix of the Bank s deposit portfolio by aggregating small business, commercial and retail checking and depository accounts. We have implemented a number of organizational and product development initiatives designed to increase commercial and small business checking accounts.

Today s interest rate environment coupled with our pricing strategy has resulted in a reduction in our higher cost certificates of deposit. Money market accounts have also decreased primarily due to our aggressive rate reduction in the first six months of 2010 as customers continue to look for better rates. This strategy has helped maintain our margin, and we believe that if we are able to maintain most of the certificates of deposit maturing in the remainder of 2010 the continuing decrease of rates will help to reduce our cost of funds further during the year based on our current expectation for interest rates.

Advances from the Federal Home Loan Bank (FHLB) and other borrowings totaled $120.0 million at June 30, 2010, a decrease of $10.8 million, or 9.8%, from the total at December 31, 2009. The decrease in borrowings was primarily due to utilizing cash from decreases in our investment portfolios. See Liquidity and Capital Resources for further discussion on our borrowings position.

Stockholders equity totaled $56.9 million at June 30, 2010, a decrease of $3.6 million, or 6.0%, from December 31, 2009. The majority of the decrease resulted from net losses of $4.0 million offset partially by, lower interest rates which improved the fair value of our investment securities resulting in an increase in unrealized gains on available for sale securities, net of tax, of $193,000. This was coupled with entries relating to stock options of approximately $169,000.

Comparison of Results of Operations for the Six Months Ended June 30, 2010 and 2009

Camco s net loss for the six months ended June 30, 2010, totaled $4.0 million, a decrease of $4.2 million, from the net earnings of $237,000 reported in the comparable 2009 period. On a per share basis, the net loss during the first half of 2010 was $.55, compared to net earnings of $.03 per share in the first half of 2009. The decrease in earnings was primarily attributable to additional allowance provided in the second quarter of 2010.

Net Interest Income

Net interest income totaled $12.6 million for the six months ended June 30, 2010, an increase of $899,000, or 7.7%, compared to the six-month period ended June 30, 2009, generally reflecting the effects of a $113.3 million decrease in the average balance of interest bearing liabilities coupled with the average cost of funding decreasing by 60 basis

points year to year. Net interest margin increased to 3.32% in the first half of 2010 compared to 2.71% at June 30, 2009.

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Comparison of Results of Operations for the Six Months Ended June 30, 2010 and 2009 (continued)

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.

Six Months Ended June 30, (Dollars in thousands) (As Restated)	**Average outstanding balance**	**2010** **Interest earned / paid**	**Average yield/ rate**	**Average outstanding balance**	**2009** **Interest earned / paid**	**Average yield/ rate**
Interest-earning assets:						
Loans receivable [1]	$ 653,612	$ 18,561	5.67%	$ 688,140	$ 20,613	5.99%
Securities	50,149	1,073	4.28%	89,560	1,819	4.06%
FHLB stock	29,888	671	4.49%	29,888	670	4.48%
Other Interest-bearing accounts	26,932	2	0.01%	58,579	19	0.06%
Total interest-earning assets	760,581	20,307	5.34%	866,167	23,121	5.34%
Noninterest-earning assets [2]	90,781			107,011		
Total average assets	**$ 851,362**			**$ 973,178**		
Interest-bearing liabilities:						
Deposits	$ 611,745	5,689	1.86%	$ 683,191	8,420	2.46%
FHLB advances and other	124,813	1,989	3.19%	166,656	2,971	3.57%
Total interest-bearing liabilities	736,558	7,678	2.08%	849,847	11,391	2.68%
Noninterest-bearing deposits	41,399			37,975		
Noninterest-bearing liabilities	13,182			13,301		
				51,276		
Total average liabilities	791,139			901,123		
Total average shareholders equity	60,223			72,055		
Total liabilities and shareholders equity	**$ 851,362**			**$ 973,178**		
		$ 12,629	3.26%		$ 11,730	2.66%

Net interest income/Interest rate spread		
Net interest margin [3]	3.32%	2.71%
Average interest-earning assets to average interest-bearing liabilities	103.3%	101.9%

[1] Includes loans held for sale. Loan fees are immaterial.

[2] Includes nonaccrual loans, mortgage servicing rights and allowance for loan losses

[3] Net interest income as a percent of average interest-earning assets

Comparison of Results of Operations for the Six Months Ended June 30, 2010 and 2009 (continued)

Interest income on loans totaled $18.6 million for the six months ended June 30, 2010, a decrease of $2.1 million, or 10.0%, from the comparable 2009 period. This resulted primarily from a decrease in the average balance outstanding of $34.5 million in 2010 compared to the six months of 2009. A 31 basis point decrease in the average yield in the 2010 period also negatively impacted interest income on loans.

Interest income on securities totaled $1.1 million for the six months ended June 30, 2010, a decrease of $746,000, or 41.0%, from the first half of 2009. The decrease was due primarily to a $39.4 million, or 44.0%, decrease in the average balance outstanding in the first half of 2010 from the first half of 2009, offset partially by a 22 basis point increase in the average yield, to 4.28% for the 2010 period. The balance of investment and mortgage-backed securities portfolio has decreased in 2010 as some cash flows from maturities and principal payments received in 2010 were used to pay down borrowings and fund new loan originations.

Dividend income on FHLB stock increased by $1,000, or .2%, due primarily to a 1 basis point increase in the average yield, to 4.49% in 2010. Interest income on other interest-bearing accounts decreased $17,000, or 89.5% primarily due to a 5 basis point decrease in the average yield, to .01%. This decrease was driven by higher required compensating balances.

Interest expense on deposits totaled $5.7 million for the six months ended June 30, 2010, a decrease of $2.7 million, or 32.4%, compared to the same period in 2009 due primarily to a 60 basis point decrease in the average cost of deposits to 1.86% in the current period, coupled with a $71.4 million or 10.5%, decrease in average interest bearing deposits outstanding. While the cost of deposits was lower in the first half of 2010 compared to the comparable period in 2009, the cost in 2010 is expected to stabilize as rates are at historic low levels. However, the interest-bearing deposit portfolio continues to re-price certificates of deposit in 2010, which should slightly decrease costs further if rates continue to be at the current low levels. However, competitive pressures may limit our ability to reduce interest rates paid on deposits further.

Interest expense on borrowings totaled $2.0 million for the six months ended June 30, 2010 a decrease of $982,000, or 33.1%, from the same 2009 six-month period. The decrease resulted primarily from a $41.8 million, or 25.1%, decrease in the average borrowings outstanding coupled with a 38 basis point decrease in the average cost of borrowings to 3.19%.

Provision for Losses on Loans

As discussed in the Explanatory Note to this Form 10-Q/A, certain adjustments have been made to restate previously reported results for the quarter ending June 30, 2010. The adjustments to restate June results affected the disclosures about the allowance for loan losses. Based on several factors, including input from the FRB, management determined that it needed to reconsider the adequacy of the allowance for loan losses (the ALLL) at June 30, 2010 in light of the directional trends of relevant factors, mainly nonperforming loans and classified assets. In this connection, management reassessed certain qualitative and subjective adjustments, resulting in a determination that an additional provision of $4.3 million should be made to the ALLL.

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

Camco s loan quality has been negatively impacted by worsening conditions within our market areas which has caused declines in real estate values and deterioration in the financial condition of some of our borrowers. During 2008, 2009 and the first half of 2010 these conditions led Camco to downgrade the loan quality ratings on various loans through our loan review process. In addition, some of our loans became under-collateralized due to reductions in the estimated net realizable fair value of the underlying collateral. As a result, Camco s provision for loan losses, net charge-offs and nonperforming loans in 2008, 2009 and the first half of 2010 were significantly higher than historical levels. We have continued to focus on these assets, which has driven a decrease in classified assets in the second quarter of 2010. We intend to continue to put emphasis on the reduction of classified assets and believe that we are taking steps forward in managing our classified assets. We have devoted and will continue to devote substantial management resources toward the resolution of all delinquent and non-performing assets, but no assurance can be made that management s

efforts will be successful.

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Comparison of Results of Operations for the Six Months Ended June 30, 2010 and 2009 (continued)

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

Based upon an analysis of these factors, the continued economic outlook and new production we increased the provision for losses on loans by $6.1 million for the six months ended June 30, 2010, compared to $1.4 million for the same period in 2009. We believe our loans are adequately reserved for probable losses inherent in our loan portfolio at June 30, 2010. However, there can be no assurance that the loan loss allowance will be adequate to absorb losses.

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

Based on policy, a loan is typically deemed nonperforming once it has gone over 90 days delinquent. A review process is completed to determine whether the loan is impaired. Our management of the troubled credit will vary as will the timing of valuations, loan loss provision and charge offs based on a multitude of factors such as, cash flow of the business/borrower, responsiveness of the borrower, communication with the commercial banker, property inspections, property deterioration, and delinquency. Typically, a nonperforming, non-homogeneous collateral dependent loan will be valued and adjusted (if needed) within a 90 day period after determination of impairment. If impaired, the collateral is then evaluated and an updated appraisal is most typically ordered. Upon receipt of an appraisal or other valuation, we complete an analysis to determine if the impaired loan requires a specific reserve.

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

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

Camco s policies dictate that an impaired loan subject to partial charge off will remain in a nonperforming status until it is brought current. Typically, this occurs when a loan is paid current and completes a period of on-time payments that demonstrate that the loan can perform. Camco monitors through various system reports loans for which terms have been modified, identifying troubled debt restructures, modifications, and renewals.

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

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

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

Nonperforming assets totaled $53.2 million at June 30, 2010, compared to $46.1 million from December 31, 2009. Additionally net charge offs increased $4.8 million to a total of $6.5 million at June 30, 2010 compared to $1.7 million at June 30, 2009.

Comparison of Results of Operations for the Six Months Ended June 30, 2010 and 2009 (continued)

Other Income

Other income totaled $3.3 million for the six months ended June 30, 2010 a decrease of $905,000, or 21.4%, from the comparable 2009 period. The decrease in other income was primarily attributable to a decrease of $283,000 in gain on sale of loans and a $363,000 decrease in the valuation of mortgage servicing rights coupled with a $245,000 decrease in rent and other.

The decrease in gain on sale and valuation of mortgage servicing rights was due to decreased sales of $40.4 million from the comparable period in 2009.

The decrease in rent and other was due to decreased fee income generated by Camco Title Agency related to decreased production levels in 2010 and decreased insurance fees that are no longer offered by Advantage Bank.

General, Administrative and Other Expense

General, administrative and other expense totaled $13.9 million for the six months ended June 30, 2010 an increase of $20,000 or .1%, from the comparable period in 2009. The increase in general, administrative and other expense was due primarily to an increase of $313,000 in professional services and $114,000 in employee compensation and benefits. These increases were partially offset by a decrease of $127,000 in advertising, and $120,000 in postage, supplies and office expenses.

The increase in professional services relates to legal expenses incurred relating to classified commercial assets and safeguarding of assets. Employee compensation and benefits increased primarily due to incentives related to increased commercial originations.

The decrease in advertising, postage supplies and office expenses was primarily due to 2009 including additional incurred expenses related to the termination of a merger and additional re-advertising of our branches and brand and re-ordering of pre-printed materials and supplies to regular inventory levels.

Federal Income Taxes

The provision for federal income taxes totaled $(115,000) for the six months ended June 30, 2010. The provision for federal income taxes includes the impact of a $1.5 million valuation allowance related to the Corporation s net deferred tax assets. The valuation allowance was recorded to reduce the net deferred tax asset to the amount that can be realized in future tax returns based on estimates of projected taxable income. Tax credits related to our investment in affordable housing partnerships totaled $149,000 in 2010. Additionally, the tax-exempt character of earnings on bank-owned life insurance supplements the difference between the effective rate of tax benefits and the statutory corporate tax rate for the period.

Comparison of Results of Operations for the Three Months Ended June 30, 2010 and 2009

Camco s net loss for the three months ended June 30, 2010, totaled $4.1 million, a decrease of $4.1 million, from the net earnings of $2,000 reported in the comparable 2009 period. On a per share basis, the net losses during the second quarter of 2010 were $.57, compared to no loss during the second quarter of 2009. The decrease in earnings was primarily attributable to additional allowance provided in the second quarter of 2010.

Net Interest Income

Net interest income amounted to $6.4 million for the three months ended June 30, 2010, an increase of $489,000, or 8.3%, compared to the three-month period ended June 30, 2009, generally reflecting the effects of a $105.8 million decrease in the average balance of interest bearing liabilities coupled with the average cost of funding decreasing by 53 basis points year to year. Net interest margin increased to 3.40% for the current quarter compared to 2.82% in the second quarter of 2009.

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Net Interest Income (continued)

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.

AVERAGE BALANCE, YIELD, RATE AND VOLUME DATA

		2010			**2009**	
Three Months Ended June 30, (Dollars in thousands) (As Restated)	**Average outstanding balance**	**Interest earned / paid**	**Average yield/ rate**	**Average outstanding balance**	**Interest earned / paid**	**Average yield/ rate**
Interest-earning assets:						
Loans receivable [1]	$ 651,552	$ 9,281	5.70%	$ 671,688	$ 10,046	5.98%
Securities	44,952	495	4.40%	86,386	844	3.91%
FHLB stock	29,888	332	4.44%	29,888	332	4.44%
Other Interest-bearing accounts	25,155	1	0.02%	47,217	12	0.10%
Total interest-earning assets	751,547	10,109	5.38%	835,179	11,234	5.38%
Noninterest-earning assets [2]	98,182			124,573		
Total average assets	**$ 849,729**			**$ 959,752**		
Interest-bearing liabilities:						
Deposits	$ 610,144	2,744	1.80%	$ 680,782	3,948	2.32%
FHLB advances and other	126,367	992	3.14%	154,066	1,402	3.64%
Total interest-bearing liabilities	736,511	3,736	2.03%	842,348	5,350	2.56%
Noninterest-bearing deposits	42,124			37,391		
Noninterest-bearing liabilities	11,148			15,280		
Total average liabilities	789,783			887,519		
Total average shareholders equity	59,946			72,233		
Total liabilities and shareholders equity	**$ 849,729**			**$ 959,752**		
Net interest income/Interest rate spread		$ 6,373	3.35%		$ 5,884	2.82%
Net interest margin [3]			3.39%			2.82%

Average interest-earning assets to average interest-bearing liabilities	102.0%	108.1%

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

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

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

Comparison of Results of Operations for the Three Months Ended June 30, 2010 and 2009 (continued)

Interest income on loans totaled $9.3 million for the three months ended June 30, 2010, a decrease of $765,000, or 7.6%, from the comparable 2009 period. The decrease resulted primarily from a decrease in the average balance outstanding of $20.1 million in 2010 compared to the same three months of 2009. A 27 basis point decrease in the average yield in the 2010 period also negatively impacted interest income on loans.

Interest income on securities totaled $495,000 for the three months ended June 30, 2010, a decrease of $349,000, or 41.4%, from the second quarter of 2009. The decrease was due primarily to a $41.4 million, or 48.0%, decrease in the average balance outstanding in the second quarter of 2010 from the second quarter of 2009, offset partially by a 49 basis point increase in the average yield to 4.40% for the 2010 period.

Interest expense on deposits totaled $2.7 million for the three months ended June 30, 2010, a decrease of $1.2 million, or 30.5%, compared to the same period in 2009 due primarily to a 52 basis point decrease in the average cost of deposits to 1.80% in the current quarter, coupled with a $70.6 million, or 10.4%, decrease in average interest bearing deposits outstanding. While the cost of deposits was lower in 2010 compared to the same period in 2009, the cost in 2010 is expected to stabilize as rates are at their lowest levels. However, the interest-bearing deposit portfolio continues to re-price certificates of deposit in 2010, which should slightly decrease costs further if rates continue to be at the current low levels. However, competitive pressures may limit our ability to reduce interest rates paid on deposits further.

Interest expense on borrowings totaled $992,000 for the three months ended June 30, 2010 a decrease of $410,000, or 29.2%, from the same 2009 three-month period. The decrease resulted primarily from a $27.7 million, or 18.0%, decrease in the average borrowings outstanding coupled by a 50 basis point decrease in the average cost of borrowings to 3.14%.

Provision for Losses on Loans

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

The Bank has put forth a significant amount of time and effort to identify higher risk within its portfolio which, in the Bank s opinion, has certain negative characteristics. These characteristics have led the Bank to conclude that these identified higher risk loans have more certain loss potential and that these loans should be reserved at a higher level than the normal portfolio. These additional risk factors and problem concentrations resulted in a higher, more severe loss when loans become delinquent. The severity combined with the type of collateral and the lien positions equated to a much greater loss potential. Therefore, based upon an analysis of these factors and the continued uncertain economic outlook, we added $5.2 million to the provision for losses on loans for the three months ended June 30, 2010, compared to $790,000 for the same period in 2009.

We believe our classified loans are adequately reserved for probable, incurred losses inherent in our loan portfolio at June 30, 2010. 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 $1.6 million for the three months ended June 30, 2010 a decrease of $660,000, or 29.2%, from the comparable 2009 period. The decrease in other income was primarily attributable to a decrease of $333,000 in valuation of mortgage servicing rights, a $193,000 decrease in late charges rent and other and a $143,000 decrease in gain on sale of loans.

The decrease in mortgage servicing rights and gain on sale was due to decreased sales of $26.6 million from the comparable period in 2009. The decrease in rent and other was due to decreased revenue earned at our title agency and fees related to insurance that is no longer offered by the Bank.

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Comparison of Results of Operations for the Three Months Ended June 30, 2010 and 2009 (continued)

General, Administrative and Other Expense

General, administrative and other expense totaled $7.0 million for the three months ended June 30, 2010 an increase of $82,000 or 1.2%, from the comparable period in 2009. The overall increase in general, administrative and other expense included increases in real estate owned and other expenses, loan and deposit expenses, professional services and employee compensation. The increases were partially offset by decreases in FDIC insurance, advertising and postage, supplies and office expenses.

The increase in real estate owned and professional services is reflective of the increased real estate owned portfolio and expenses related to ownership such as real estate taxes, upkeep of properties and legal proceedings. These expenses were coupled with the falling real estate values that have negatively impacted our portfolio values and caused additional write downs to fair market values. Employee compensation has increased due to additional incentives related to commercial originations and production.

The decrease in FDIC insurance premium is reflective of additional expense in 2009 related to an industry-wide FDIC special assessment. The decrease in advertising and postage, supplies and office expenses was primarily due to 2009 incurring additional expenses related to the termination of the merger. The termination required additional re-advertising of our branches and brand coupled with re-ordering pre-printed materials and supplies to regular inventory levels.

Federal Income Taxes

The provision for federal income tax benefit totaled $(113,000) for the three months ended June 30, 2010; a decrease of $574,000, compared to the three months ended June 30, 2009. This decrease was related to 2009 including the surrender of bank owned life insurance which moved us into compliance with regulatory guidance. For the three months ended June 30, 2010, the provision for federal income taxes includes the impact of a $1.5 million valuation allowance related to the Corporation s net deferred tax assets. The valuation allowance was recorded to reduce the net deferred tax asset to the amount that can be realized in future tax returns based on estimates of projected taxable income.

Liquidity and Capital Resources

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

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

on our net earnings. A decline in earnings, increases in loan losses, or higher regulatory capital reserve requirements may jeopardize our ability to pay dividends in the future.

Liquidity and Capital Resources (continued)

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

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

The primary sources of funds are deposits, amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and other short-term investments, loan sales and earnings and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

A significant portion of the Bank s liquidity consists of securities classified as available-for-sale and cash and cash equivalents. The Bank s primary sources of cash are net income, principal repayments on loans and mortgage-backed securities and increases in deposit accounts. If the Bank requires funds beyond its ability to generate them internally, borrowing agreements exist with the FHLB of Cincinnati which provides an additional source of funds. At June 30, 2010, The Bank had $108.1 million in advances from the FHLB of Cincinnati with an additional $34.1 million available to borrow.

The Bank utilizes its investment securities, certain loans and FHLB stock to provide collateral to support its borrowing needs. Management believes that its focus on core relationship deposits coupled with access to borrowing through reliable counterparties provides reasonable and prudent assurance that ample liquidity is available. However, depositor or counterparty behavior could change in response to competition, economic or market situations or other unforeseen circumstances, which could have liquidity implications that may require different strategic or operational actions.

Approximately $247.9 million of the Corporation s certificate of deposit portfolio is scheduled to mature during 2010. Based on prior experience, management believes that a significant portion of such deposits will remain with the Company, although there can be no assurance that this will be the case. In addition, the cost of such deposits could be significantly higher upon renewal, in a rising interest rate environment.

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Liquidity and Capital Resources (continued)

The following table sets forth information regarding the Bank s obligations and commitments to make future payments under contract as of June 30, 2010.

	Payments due by period				
	Less Than 1 year	**1-3 Years**	**3-5 years**	**More Than 5 years**	**Total**
			(In thousands)		
Contractual obligations:					
Operating lease obligations	$ 179	571	362	175	1,287
Advances from the Federal Home Loan Bank	18,000	53,000	10,450	26,661	108,111
Certificates of deposit	247,871	121,524	45,348		414,743
Repurchase agreements	6,879				6,879
Subordinated debentures (1)				5,000	5,000
Ohio Equity Funds for Housing	781	205	289	137	1,412
Amount of commitments expiration per period					
Commitments to originate loans:					
Revolving, open-end lines	$ 50,775				50,775
Not secured by real estate	14,759				14,759
1-4 family residential construction	13,401				13,401
Commercial real estate, other construction loan and land development loans	13,628				13,628
Other unused commitments	10,807				10,807
Stand by letters of credit	397				397
Total contractual obligations	$ 377,477	175,300	56,449	31,973	641,199

(1) The subordinated debentures are redeemable, at Camco s option, as of September 15, 2009. The debentures mature on September 15, 2037.

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

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

Liquidity and Capital Resources (continued)

Camco and Advantage are required to maintain minimum regulatory capital pursuant to federal regulations. At June 30, 2010, both companies exceeded all minimum regulatory capital requirements to be considered well-capitalized. The following tables present certain information regarding compliance by Camco and Advantage with applicable regulatory capital requirements at June 30, 2010:

(As Restated)	Actual Amount	Actual Ratio	For capital Adequacy purposes Amount	For capital Adequacy purposes Ratio	To be well-capitalized under prompt corrective action provisions Amount	To be well-capitalized under prompt corrective action provisions Ratio
			(Dollars in thousands)			
Total capital to risk-weighted assets:						
Camco Financial Corporation	$ 68,485	10.46%	≥$52,356	≥8.0%	≥$65,445	10.0%
Advantage Bank	$ 63,997	9.80%	≥$52,239	≥8.0%	≥$65,299	10.0%
Tier I capital to risk-weighted assets:						
Camco Financial Corporation	$ 60,230	9.20%	≥$26,178	≥4.0%	≥$39,267	6.0%
Advantage Bank	$ 55,742	8.54%	≥$26,120	≥4.0%	≥$39,179	6.0%
Tier I leverage to average assets:						
Camco Financial Corporation	$ 60,230	7.05%	≥$34,164	≥4.0%	≥$42,705	5.0%
Advantage Bank	$ 55,742	6.56%	≥$33,988	≥4.0%	≥$42,485	5.0%

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

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

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

As a result of the surveillance review, Camco entered into a Written Agreement (the Camco Agreement) with the FRB on August 5, 2009. The Camco Agreement memorializes the requirements imposed on April 30, 2009 and requires Camco to obtain FRB approval prior to: (i) declaring or paying any dividends; (ii) receiving dividends or any other form of payment representing a reduction in capital from Advantage; (iii) making any distributions of interest, principal or other sums on subordinated debentures or trust preferred securities; (iv) incurring, increasing or

guaranteeing any debt; or (v) repurchasing any Camco stock.

Liquidity and Capital Resources (continued)

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

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

Item 3. 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 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 interest rate risk position of Camco is determined by measuring the anticipated change in net interest income over a twelve month horizon assuming an instantaneous and parallel shift (linear) increase or decrease in all interest rates. The ALCO also monitors the sensitivity of the Bank s economic value of equity (EVE) due to sudden and sustained changes in market rates. The ALCO monitors the change in EVE on a percentage change basis.

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, 2009.

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ITEM 4: Controls and Procedures

Disclosure Controls

Camco s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of Camco s disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of June 30, 2010. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Camco s disclosure controls and procedures were effective as of June 30, 2010.

Internal Controls

In the 2nd quarter of 2010, Camco took the following remedial actions to correct the deficiency in internal control that was considered to be a material weakness at December 31, 2009:

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

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

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

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

Reevaluation

In connection with the revision to the financial statements as described in this Amended Report, management reevaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures as of June 30, 2010. Based upon that evaluation, the Chief Executive Officer and Principal Financial Accounting Officer have concluded that Camco s disclosure controls and procedures were effective as of June 30, 2010. In making this determination, management concluded that the changes to the financial statements were related to a reconsideration of the adequacy of the ALLL at June 30, 2010 in light of the directional trends of relevant factors, mainly nonperforming loans and classified assets. Management s reassessment of certain qualitative and subjective adjustments to the ALLL were based upon interpretation and judgment of subjective factors and were not the result of ineffective disclosure controls.

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Camco Financial Corporation

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

The Corporation is a party to pending and threatened legal actions in the normal course of business, but none of these actions has been determined to be material.

ITEM 1A. Risk Factors

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may adversely affect our business, financial condition and results of operations.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act). This new law will significantly change the regulation of financial institutions and the financial services industry. Because the Dodd-Frank Act requires various federal agencies to adopt a broad range of regulations with significant discretion, many of the details of the new law and the effects they will have on our company will not be known for months and even years.

Many of the provisions of the Dodd-Frank Act apply directly only to institutions much larger than ours, and some will affect only institutions with different charters than ours or institutions that engage in activities in which we do not engage. Among the changes to occur pursuant to the Dodd-Frank Act that can be expected to have an effect on our business are the following:

- the Dodd-Frank Act creates a Consumer Financial Protection Bureau with broad powers to adopt and enforce consumer protection regulations;

- new capital regulations for bank holding companies will be adopted, which may impose stricter requirements, and any new trust preferred securities will no longer count toward Tier I capital;

- the federal law prohibition on the payment of interest on commercial demand deposit accounts will be eliminated effective in July 2011;

- the standard maximum amount of deposit insurance per customer is permanently increased to $250,000, and non-interest bearing transaction accounts will have unlimited insurance through December 31, 2012;

- the assessment base for determining deposit insurance premiums will be expanded to include liabilities other than just deposits; and

- new corporate governance requirements applicable generally to all public companies in all industries will require new compensation practices, including requiring companies to claw back incentive compensation under certain circumstances, to provide shareholders the opportunity to cast a non-binding vote on executive compensation, and to consider the independence of compensation advisers, and new executive compensation disclosure requirements.

Although it is impossible for us to predict at this time all the effects the Dodd-Frank Act will have on us and the rest of our industry, it is possible that our interest expense could increase and deposit insurance premiums could change, and steps may need to be taken to increase qualifying capital. We expect that our operating and compliance costs will increase and could adversely affect our financial condition and results of operations.

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

be disclosed by securities laws or regulations.

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Camco Financial Corporation
PART II OTHER INFORMATION

ITEM 1A. Risk Factors (continued)

We are subject to examination and challenges by bank regulators that may materially adversely affect our financial condition and results of operations.

In the normal course of business, Camco and the Bank are routinely subject to examination by the FRB, FDIC and Ohio Division regarding our operations, policies, procedures and financial performance, including management s decisions regarding the allowance for loan losses. In the current economic environment, regulators have become increasingly critical of financial institutions evaluation of the adequacy of their allowance for loan losses. Although our management utilizes many factors in performing its evaluation, the determination of whether or not the allowance is adequate at any point in time is ultimately based on management s current judgment. While management believes that our allowances for loan losses are adequate at this time, the FRB, FDIC or Ohio Division may disagree.

Any challenge or examination by the FRB, FDIC or Ohio Division regarding the adequacy of our allowance for loan losses may require us to increase the allowance as part of their examination process. If the bank regulatory authorities require us to increase the allowance for loan losses as a part of their examination process, our financial condition and results of operations, including earnings and capital, could be significantly and adversely affected.

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

(a) Not applicable

(b) Not applicable

(c) Not applicable

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. (Removed and Reserved)

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ITEM 5. Other Information

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) At Camco s 2010 Annual Meeting of Stockholders held on May 25, 2010, Camco s stockholders approved the Camco 2010 Equity Incentive Plan (the 2010 Plan). The 2010 Plan replaces the Camco Financial Corporation 2002 Equity Incentive Plan (the Prior Plan). All awards outstanding under the Prior Plan will remain in effect in accordance with their respective terms.

A total of 831,246 shares of common stock may be issued pursuant to the grant of awards under the 2010 Plan using treasury shares, authorized but unissued shares or shares purchased by Camco on the open market. The 2010 Plan will terminate on May 25, 2020, unless earlier terminated in accordance with the terms of the 2010 Plan.

The 2010 Plan provides for the award of nonqualified stock options, incentive stock options, stock appreciation rights, restricted common shares, other stock-based awards, and performance-based awards to directors and employees, including officers, of Camco. The selection of employees for awards and the timing, terms and conditions of such awards are subject to the discretion of the Compensation Committee of Camco.

The 2010 Plan may be terminated, suspended or amended by the Board of Directors of Camco or the Compensation Committee without stockholder approval unless the amendment materially increases the benefits accruing to participants, materially increases the aggregate number of common shares authorized for grant under the 2010 Plan, materially modifies the eligibility requirements for participation or is required to satisfy certain securities laws or regulations, the Internal Revenue Code, or the rules of the applicable securities exchange, market or quotation system.

A description of the material terms of the 2010 Plan was included in Camco s definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 19, 2010. The 2010 Plan was filed as Exhibit A thereto, and is incorporated herein by reference.

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ITEM 6. Exhibits

Exhibit 10	Camco 2010 Equity Plan	Incorporated by reference to Camco s 2010 S-8 filed, Exhibit 4.1
Exhibit 31(i)	Section 302 certification by Chief Executive Officer	
Exhibit 31(ii)	Section 302 Certification by Principal Financial Accounting Officer	
Exhibit 32(i)	Section 1350 certification by Chief Executive Officer	
Exhibit 32(ii)	Section 1350 certification by Principal Financial Accounting 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.

CAMCO FINANCIAL CORPORATION
(Registrant)

Date: November 5, 2010 By: /s/ James E. Huston

James E. Huston
Chief Executive Officer

Date: November 5, 2010 By: /s/ Kristina K. Tipton

Kristina K. Tipton
Principal Financial Accounting Officer