CAMCO FINANCIAL CORP
Form 10-K
March 15, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from ______________________ to ______________________

Commission File Number: 0-25196

CAMCO FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

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

6901 Glenn Highway, Cambridge, Ohio 43725
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1 par value per share
(Title of Class)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act) Yes |X| No | |

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the last sale reported as of June 30, 2004, was $116.1 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

There were 7,351,150 shares of the registrant's common stock outstanding on March 10, 2004.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of Form 10-K: Portions of the Proxy Statement for the 2004 Annual Meeting of Stockholders

1

PART I

ITEM 1. BUSINESS.

GENERAL

Camco Financial Corporation ("Camco") is a savings and loan holding company which was organized under Delaware law in 1970. Camco is engaged in the financial services business in Ohio, Kentucky and West Virginia, through its wholly-owned subsidiaries, Advantage Bank ("Advantage" or the "Bank") and Camco Title Insurance Agency, Inc. ("Camco Title"), and its second-tier subsidiary, Camco Mortgage Corporation ("CMC"). Effective October 1, 2003, CMC was dissolved and its operations became part of the Bank. In June 2001, Camco completed a reorganization in which it combined its banking activities under one Ohio savings bank charter which is now known as Advantage Bank. Prior to the reorganization, Camco operated five separate banking subsidiaries serving distinct geographic areas. The branch office groups in each of the regions previously served by the five subsidiary banks now operate as divisions of Advantage Bank utilizing the names under which their respective offices were chartered prior to the restructuring (Cambridge Savings Bank, Marietta Savings Bank, First Savings Bank, First Bank for Savings and Westwood Homestead Savings Bank). Hereinafter, the terms "Advantage" or the "Bank" will be used to include all the preexisting individual financial institutions owned by Camco.

During the periods for which financial information is presented, Camco completed two business combinations. During 2000, Camco completed a business combination with Westwood Homestead Financial Corporation ("WFC") and its wholly-owned subsidiary, Westwood Homestead Saving Bank ("Westwood Savings"). In November 2001, Camco completed a business combination with Columbia Financial of Kentucky, Inc. ("Columbia Financial"), and its wholly-owned subsidiary, Columbia Federal Savings Bank ("Columbia Federal"). Both mergers were accounted for using the purchase method of accounting and, therefore, the financial statements for prior periods have not been restated.

Advantage is regulated by the Ohio Division of Financial Institutions (the "Division") and the Federal Deposit Insurance Corporation (the "FDIC"), as its primary regulators. Advantage Bank is a member of the Federal Home Loan Bank (the "FHLB") of Cincinnati, and its deposit accounts are insured up to applicable limits by the Savings Association Insurance Fund (the "SAIF") administered by the FDIC. Camco is regulated by the Office of Thrift Supervision (the "OTS") as a savings and loan holding company.

Camco's primary lending activities include the origination of conventional fixed-rate and variable-rate mortgage loans for the acquisition, construction or refinancing of single-family homes located in Camco's primary market areas. Camco also originates construction and permanent mortgage loans on condominiums, two- to four-family, multi-family (over four units) and nonresidential properties. In addition to mortgage lending, Camco makes a variety of consumer and commercial loans.

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

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

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

2

LENDING ACTIVITIES

GENERAL. Camco's primary lending activities include the origination of conventional fixed-rate and variable-rate mortgage loans for the construction, acquisition or refinancing of single-family homes located in Advantage's primary market areas. Construction and permanent mortgage loans on condominiums, multifamily (over four units) and nonresidential properties are also offered by Camco. In addition to mortgage lending, Camco makes a variety of commercial and consumer loans.

LOAN PORTFOLIO COMPOSITION. The following table presents certain information regarding the composition of Camco's loan portfolio, including loans held for sale, at the dates indicated:

	At December 31,				
	2003		2002		2001
	Amount	Percent of total loans	Amount	Percent of total loans	Amount
			(Dollars in thousands)		
Type of loan:					
Existing residential properties(1)	$ 652,953	81.1%	$ 641,464	80.5%	$ 705,056
Construction	44,189	5.5	33,122	4.1	42,666
Nonresidential real estate	51,533	6.4	74,094	9.3	70,239
Developed building lots	1,725	0.2	535	0.1	5,908
Consumer and other loans(2)	78,155	9.7	67,712	8.5	69,116
Total	828,555	102.9	816,927	102.5	892,985
Less:					
Undisbursed loans in process	(17,022)	(2.1)	(13,089)	(1.6)	(15,343)
Unamortized yield adjustments	(810)	(0.1)	(1,390)	(0.2)	(1,940)
Allowance for loan losses	(5,641)	(0.7)	(5,490)	(0.7)	(4,256)
Total loans, net	$ 805,082	100.0%	$ 796,958	100.0%	$ 871,446

	At December 31, 2000 Amount	2000 Percent of total loans	1999 Amount	1999 Percent of total loans
	(Dollars in thousands)			
Type of loan:				
Existing residential properties(1)	$ 764,828	82.2%	$ 619,621	85.3%
Construction	56,039	6.0	60,565	8.3
Nonresidential real estate	54,722	5.9	20,831	2.9
Developed building lots	5,640	0.6	4,649	0.6
Consumer and other loans(2)	73,178	7.9	51,079	7.1
Total	954,407	102.6	756,745	104.2
Less:				
Undisbursed loans in process	(19,911)	(2.2)	(27,569)	(3.8)
Unamortized yield adjustments	(918)	(0.1)	(1,088)	(0.1)
Allowance for loan losses	(2,906)	(0.3)	(1,863)	(0.3)
Total loans, net	$ 930,672	100.0%	$ 726,225	100.0%

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

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

Camco's loan portfolio was approximately $805.1 million at December 31, 2003, and represented 77.5% of total assets.

LOAN MATURITY SCHEDULE. The following table sets forth certain information as of December 31, 2003, regarding the dollar amount of loans maturing in Camco's portfolio based on the contractual terms to maturity of the loans. Demand loans, loans having no stated schedule of repayments and loans having no stated maturity, are reported as due in one year or less.

	Due during the year ending December 31, 2004	Due in years 2005-2009	Due in years after 2009	
	(In thousands)			
Real estate loans(1):				
One- to four-family	$14,717	$47,959	$578,268	$6
Multifamily	421	3,922	40,773	
Nonresidential	2,397	8,908	40,228	

Commercial	1,136	3,045	13,566	
Consumer and other loans(2)	2,267	11,933	2,817	
Construction	3,063	3,309	20,795	
Total	$24,001	$79,076	$696,447	$7

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(1) Excludes loans held for sale of $5.5 million and does not consider the effects of unamortized yield adjustments of $810,000, the allowance for loan losses of $5.6 million and mortgage-servicing rights totaling $6.6 million.

(2) Includes developed building lots.

The following table sets forth at December 31, 2003, the dollar amount of all loans due after one year from December 31, 2004, which have fixed or adjustable interest rates:

	Due after December 31, 2004
	(In thousands)
Fixed rate of interest	$319,515
Adjustable rate of interest	456,008
Total	$775,523

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

RESIDENTIAL LOANS. The primary lending activity of Advantage is the origination of fixed-rate and adjustable-rate conventional loans for the acquisition, refinancing or construction of single-family residences. At December 31, 2003, 81.1% of the total outstanding loans consisted of loans secured by mortgages on one- to four-family residential properties.

Federal regulations and Ohio law limit the amount which Advantage may lend in relationship to the appraised value of the underlying real estate at the time of loan origination (the "Loan-to-Value Ratio" or "LTV"). In accordance with such regulations and law, Advantage generally makes loans on single-family residences up to 95% of the value of the real estate and improvements. Advantage generally requires the borrower on each loan which has an LTV in excess of 80% to obtain private mortgage insurance or a guarantee by a federal agency.

The interest rate adjustment periods on adjustable-rate mortgage loans ("ARMs") offered by Advantage are generally one, three and five years. The interest rates initially charged on ARMs and the new rates at each adjustment date are determined by adding a stated margin to a designated interest rate index. Advantage has generally used the one-year, three-year and five-year United States Treasury bill rates, adjusted to a constant maturity, as the index for their one-year, three-year, five-year and seven-year adjustable-rate loans, respectively. Advantage has introduced the use of LIBOR as our additional index on certain loan programs to begin to diversify its concentrations of indices that may prove beneficial during repricing of loans throughout changing economic cycles. The initial interest rates for three-year and five-year ARMs are set slightly higher than for the one-year ARM to compensate for the reduced interest rate sensitivity. The maximum adjustment at each adjustment date for ARMs is usually 2%, with a maximum adjustment of 6% over the term of the loan.

From time to time, Advantage originates ARMs which have an initial interest rate that is lower than the sum of the specified index plus the margin. Such loans are subject to increased risk of delinquency or default due to increasing monthly payments as the interest rates on such loans increase to the fully indexed level. Advantage attempts to reduce the risk by underwriting such loans at the fully indexed rate. None of Advantage's ARMs have negative amortization features.

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

Of the total mortgage loans originated by Advantage during the year ended December 31, 2003, 32% were ARMs and 68% were fixed-rate loans. Adjustable-rate loans comprised 57% of Advantage's total outstanding loans at December 31, 2003.

CONSTRUCTION LOANS. Advantage offers residential construction loans both to owner-occupants and to builders for homes being built under contract with owner-occupants. Advantage also makes loans to persons constructing projects for investment purposes. At December 31, 2003, a total of $44.2 million, or approximately 5.5% of Advantage's total loans, consisted of construction loans, primarily for one- to four-family properties.

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

Construction loans for investment properties involve greater underwriting and default risks to Advantage than do loans secured by mortgages on existing properties or construction loans for single-family residences. Loan funds are advanced upon the security of the project under construction, which is more difficult to value in the case of investment properties before the completion of construction. Moreover, because of the uncertainties inherent in estimating construction costs, it is relatively difficult to evaluate precisely the total loan funds required to complete a project and the related Loan-to-Value Ratios. In the event a default on a construction loan occurs and foreclosure follows, Advantage could be adversely affected in that it would have to take control of the project and attempt either to arrange for completion of construction or dispose of the unfinished project. At December 31, 2003, Advantage had six construction loans in the amount of $3.6 million on investment properties.

NONRESIDENTIAL REAL ESTATE LOANS. Advantage originates loans secured by mortgages on nonresidential real estate, including retail, office and other types of business facilities. Nonresidential real estate loans are generally made on an adjustable-rate basis for terms of up to 25 years. Nonresidential real estate loans originated by Advantage generally have an LTV of 80% or less. The largest nonresidential real estate loan outstanding at December 31, 2003, was a $3.3 million loan secured by a manufacturing and distribution building. Nonresidential real estate loans comprised 6.4% of total loans at December 31, 2003.

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

the property, the debt service ratio and cash flow analysis, the quality and characteristics of the income stream generated by the property and appraisals supporting the property's valuation.

CONSUMER LOANS. Advantage makes various types of consumer loans, including loans made to depositors on the security of their savings deposits, automobile loans, education loans, home improvement loans, home equity line of credit loans and unsecured personal loans. Home equity loans are generally made at a variable rate of interest for terms of up to 10 years. Most other consumer loans are generally made at fixed rates of interest for terms of up to 10 years. The risk of default on consumer loans during an economic recession is greater than for residential mortgage loans. Included in consumer and other loans is approximately $45.1 million of multifamily loans of which the largest is $2.9 million secured by an apartment building. .At December 31, 2003, education, consumer and other loans, excluding multi-family loans, constituted 4.1% of Camco's total loans.

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

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

The loan origination process is decentralized, with each of Advantage's divisions having autonomy in loan processing and approval for its respective market area. Mortgage loan applications from potential borrowers are taken by one of the loan officers of the division originating the loan, after which they are forwarded to the division's loan department for processing. On new loans, the Bank typically obtains a credit report, verification of employment and other documentation concerning the borrower and orders an appraisal of the fair market value of the real estate which will secure the loan. The real estate is thereafter physically inspected and appraised by a staff appraiser or by a designated fee appraiser approved by the Board of Directors of Advantage. Upon the completion of the appraisal and the receipt of all necessary information regarding the borrower, the loan is approved by the loan officer up to such officer's maximum loan approval authority. Loans above the maximum receive additional approval by officers with higher loan approval authority. If the loan is approved, an attorney's opinion of title or title insurance is obtained on the real estate which will secure the loan. Borrowers are required to carry satisfactory fire and casualty insurance and, if applicable, flood and private mortgage insurance, and to name Advantage as an insured mortgagee.

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

Consumer loans are underwritten on the basis of the borrower's credit history and an analysis of the borrower's income and expenses, ability to repay the loan and the value of the collateral, if any.

LOAN ORIGINATIONS, PURCHASES AND SALES. Advantage has been actively originating new 30-year, 15-year, 10-year fixed-rate and seven-year balloon real estate loans as well as adjustable-rate real estate loans, consumer loans and commercial loans. Generally all residential fixed-rate loans made by Advantage are originated with documentation which will permit a possible sale of such loans to secondary mortgage market investors. When a mortgage loan is sold to the investor, Advantage generally services the loan by collecting monthly payments of principal and interest and forwarding such payments to the investor, net of a servicing fee. During the year ended December 31, 2003, Advantage also sold loans with servicing released. Fixed-rate loans not sold and generally all of the ARMs originated by Advantage are held in Advantage's loan portfolio. During the year ended December 31, 2003, Advantage sold approximately $279.0 million in loans. Advantage recognized $3.5 million in mortgage servicing rights during 2003, while amortization of mortgage servicing rights totaled $2.9 million for the year ended December 31, 2003.

6

From time to time, Advantage sells participation interests in mortgage loans originated by it and purchases whole loans or participation interests in loans originated by other lenders. Advantage held whole loans and participations in loans originated by other lenders of approximately $33.5 million at December 31, 2003. Loans which Advantage purchases must meet or exceed the underwriting standards for loans originated by Advantage.

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

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

	Year ended December 31,			
	2003	2002	2001	2
		(In thousands)		
Loans originated:				
Construction	$ 37,791	$ 54,114	$ 35,330	$ 7
Permanent	422,021	447,379	240,625	20
Consumer and other	147,668	70,772	83,126	8

Total loans originated	607,480	572,265	359,081	35
Loans purchased(1)	126,006	116,306	17,755	
Reductions:				
Principal repayments(1)	407,521	441,419	273,212	17
Loans sold(1)	337,376	239,636	215,289	12
Transfers from loans to real estate owned	4,010	1,270	3,208	
Total reductions	748,907	682,325	491,709	30
Increase(decrease) in other items, net(2)	(8,167)	2,262	(3,162)	(
Increase due to mergers(3)	--	--	81,426	14
Net increase(decrease)	$ (23,588)	$ 5,104	$ (36,609)	$ 20

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(1) Includes mortgage-backed securities.

(2) Other items primarily consist of amortization of deferred loan origination fees, the provision for losses on loans and unrealized gains on mortgage-backed securities designated as available for sale.

(3) The 2001 increase resulted from the acquisition of Columbia Financial and the 2000 increase resulted from the acquisition of WFC.

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

The largest amount which Advantage could have loaned to one borrower at December 31, 2003, was approximately $12.1 million. The largest amount Advantage had outstanding to one borrower and related persons or entities at December 31, 2003, was $5.3 million, which consisted of five loans secured by personal residences, commercial properties and multi-family units.

LOAN ORIGINATION AND OTHER FEES. In addition to interest earned on loans, Advantage may receive loan origination fees or "points" of up to 2.0% of the loan amount, depending on the type of loan, plus reimbursement of

certain other expenses. Loan origination fees and other fees are a volatile source of income, varying with the volume of lending and economic conditions. All nonrefundable loan origination fees and certain direct loan origination costs are deferred and recognized as an adjustment to yield over the life of the related loan in accordance with Statement of Financial Accounting Standards ("SFAS") No. 91.

DELINQUENT LOANS, NONPERFORMING ASSETS AND CLASSIFIED ASSETS. Advantage attempts to minimize loan delinquencies through the assessment of late charges and adherence to established collection procedures. Generally, after a loan payment is 15 days delinquent, a late charge of 5% of the amount of the payment is assessed and a collection officer contacts the borrower to request payment. In certain limited instances, Advantage may modify the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize his or her financial affairs. Advantage generally initiates foreclosure proceedings, in accordance with applicable laws, when it appears that a modification or moratorium would not be productive.

Real estate which has been acquired by Advantage as a result of foreclosure or by deed in lieu of foreclosure is classified as "real estate owned" until it is sold. "Real estate owned" is recorded at the lower of the book value of the loan or the fair value of the property less estimated selling expenses at the date of acquisition. Periodically, "real estate owned" is reviewed to ensure that fair value is not less than carrying value, and any write-down resulting therefrom is charged to earnings as a provision for losses on real estate acquired through foreclosure. All costs incurred from the date of acquisition are expensed in the period paid.

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

	At December 31,			
	2003	2002	2001	2000
	(Dollars in thousands)			
Loans delinquent for:				
30 to 89 days	$ 8,682	$10,524	$14,238	$10,557
90 or more days	13,608	13,625	7,885	4,726
Total delinquent loans	$22,290	$24,149	$22,123	$15,283
Ratio of total delinquent loans to total net loans(1)	2.77%	3.03%	2.54%	1.64%

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

8

Nonaccrual status denotes loans for which, in the opinion of management, the collection of additional interest is unlikely, or loans that meet nonaccrual criteria as established by regulatory authorities. Payments received on a nonaccrual loan are either applied to the outstanding principal balance or recorded as interest income, depending on management's assessment of the collectibility of the loan. The following table sets forth information with respect to Advantage's nonaccruing and delinquent loans for the periods indicated.

At December 31,

	2003	2002	2001	200
		(Dollars in thousands)		
Loans accounted for on nonaccrual basis:				
Real estate:				
Residential	$12,135	$11,021	$3,677	$2,0
Nonresidential	357	1,726	367	1
Consumer and other	1,116	878	393	1
Total nonaccrual loans	13,608	13,625	4,437	2,4
Accruing loans delinquent 90 days or more:				
Real estate:				
Residential	--	--	2,564	1,8
Nonresidential	--	--	206	
Consumer and other	--	--	678	4
Total loans 90 days past due	--	--	3,448	2,3
Total nonperforming loans	$13,608	$13,625	$7,885	$4,7
Allowance for loan losses	$ 5,641	$ 5,490	$4,256	$2,9
Nonperforming loans as a percent of total net loans	1.69%	1.71%	.90%	.
Allowance for loan losses as a percent of nonperforming loans	41.5%	40.3%	54.0%	61

The amount of interest income that would have been recorded had nonaccrual loans performed in accordance with contractual terms totaled approximately $808,000 for the year ended December 31, 2003. Interest collected on such loans and included in net earnings was $343,000.

At December 31, 2003, there were no loans which were not classified as nonaccrual, 90 days past due or restructured which management considered classifying in the near future due to concerns as to the ability of the borrowers to comply with repayment terms. Management changed the policy for designating loans as nonaccrual during 2002 to include all loans greater than 90 days past due.

Federal regulations require the Bank to classify its assets on a regular basis. Problem assets are to be classified as either (i) "substandard," (ii) "doubtful" or (iii) "loss." Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the same weaknesses as substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of existing facts, conditions and value. Assets classified as "loss" are considered uncollectible and of such little value that their treatment as assets without the establishment of a specific reserve is unwarranted. Federal regulations provide for the reclassification of real estate assets by federal examiners.

At December 31, 2003, the aggregate amounts of Camco's classified assets were as follows:

	At December 31, 2003 (In thousands)
Classified assets:	
Substandard	$14,225
Doubtful	200
Loss	380
Total classified assets	$14,805

The interpretive guidance of the regulations also includes a "special mention" category, consisting of assets which do not currently expose an insured institution to a sufficient degree of risk to warrant classification, but which possess credit deficiencies or potential weaknesses deserving management's close attention. Advantage classifies nonaccrual residential real estate and consumer loans with a loan to value of 72% or less as a special mention asset. Advantage had assets in the amount of $6.6 million designated as "special mention" at December 31, 2003.

ALLOWANCE FOR LOAN LOSSES. The allowance for loan losses is maintained at a level considered appropriate by management based on historical experience, the volume and type of lending conducted by the Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Bank's market areas, and other factors related to the collectibility of the Bank's loan portfolio. The following table sets forth an analysis of Advantage's allowance for loan losses:

	Year ended December 31,			
	2003	2002	2001	2
	(Dollars in thousands)			
Balance at beginning of year	$ 5,490	$4,256	$ 2,906	$ 1
Charge-offs:				
1-4 family residential real estate	509	134	66	
Multifamily and nonresidential real estate	418	--	12	
Consumer and other	392	73	657	
Total charge-offs	1,319	207	735	
Recoveries:				
1-4 family residential real estate	17	23	3	
Multifamily and nonresidential real estate	--	--	--	
Consumer and other	7	249	23	
Total recoveries	24	272	26	
Net recoveries (charge-offs)	(1,295)	65	(709)	
Provision for losses on loans	1,446	1,169	759	

Increase attributable to mergers (1)	--	--	1,300	---
Balance at end of year	$ 5,641	$5,490	$ 4,256	$ 2
Net recoveries (charge-offs) to average loans	(.17)%	.01%	(.08)%	

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(1) The 2001 increase resulted from the acquisition of Columbia Financial and the 2000 increase resulted from the acquisition of WFC.

10

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

	At December 31,						
	2003		2002		2001		
	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amoun
	(Dollars in thousands)						
Balance at year end applicable to:							
Mortgage loans	$4,452	90.3%	$4,910	91.5%	$3,418	92.1%	$2,44
Consumer and other loans	1,189	9.7	580	8.5	838	7.9	46
Total	$5,641	100.0%	$5,490	100.0%	$4,256	100.0%	$2,90

INVESTMENT AND MORTGAGE-BACKED SECURITIES ACTIVITIES

Federal regulations require that Advantage maintain a minimum amount of liquid assets, which may be invested in United States Treasury obligations, securities of various agencies of the federal government, certificates of deposit at insured banks, bankers' acceptances and federal funds sold. Advantage is also permitted to make limited investments in commercial paper, corporate debt securities and certain mutual funds, as well as other investments permitted by federal laws and regulations. It has generally been Advantage's policy to maintain liquid assets at Advantage in excess of regulatory requirements in order to shorten the maturities of the investment portfolios and improve the matching of short-term investments and interest rate sensitive savings deposit liabilities.

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

	At December 31,							
	2003				2002			
	Amortized cost	% of total	Fair value	% of total	Amortized cost	% of total	Fair value	% of total
					(Dollars in thousands)			
Held to maturity:								
U.S. Government agency obligations	$ --	--%	$ --	--%	$ 4,233	2.7%	$ 4,306	2.7%
Municipal bonds	1,130	1.0	1,204	1.0	1,135	.7	1,195	.7
Mortgage-backed securities	7,704	6.8	7,839	6.9	20,000	12.6	20,634	12.7
Total	8,834	7.8	9,043	7.9	25,368	16.0	26,135	16.1
Available for sale:								
U.S. Government agency obligations	25,640	22.6	25,881	22.7	35,557	22.5	36,004	22.2
Municipal bonds	625	.5	651	.6	2,414	1.5	2,463	1.5
Corporate equity securities	330	.3	476	.4	330	.2	322	.2
Mortgage-backed securities	78,017	68.8	77,916	68.4	94,641	59.8	97,332	60.0
Total	104,612	92.2	104,924	92.1	132,942	84.0	136,121	83.9
Total investments and mortgage-backed securities	$113,446	100.0%	$113,967	100.0%	$158,310	100.0%	$162,256	100.0%

11

The following table presents the contractual maturities or terms to repricing of Camco's investment securities, except its stock in the FHLB of Cincinnati and corporate equity securities, and the weighted-average yields at December 31, 2003:

	At December 31, 2003							
	One year or less		After one through five years		After five through ten years		After ten year	
	Amortized cost	Average yield	Amortized cost	Average yield	Amortized cost	Average yield	Amortized cost	Aver yie
					(Dollars in thousands)			
U.S. Government agency obligations	$14,110	2.54%	$11,030	2.80%	$ 500	4.50%	$ --	
Municipal bonds	101	2.47	1,211	3.36	353	4.11	90	6.
Mortgage-backed securities	18	6.46	19,107	3.50	52,468	3.61	14,128	3.

Total	$14,229	2.54%	$31,348	3.25%	$53,321	3.62%	$14,218	3.

DEPOSITS AND BORROWINGS

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

DEPOSITS. Deposits are attracted principally from within Advantage's primary market area through the offering of a broad selection of deposit instruments, including interest-bearing and non-interest bearing checking accounts, money market deposit accounts, regular savings accounts, term certificate accounts and retirement savings plans. Interest rates paid, maturity terms, service fees and withdrawal penalties for the various types of accounts are established periodically by management of Advantage based on its liquidity requirements, growth goals and interest rates paid by competitors. Interest rates paid by Advantage on deposits are not limited by federal or state law or regulation. Advantage generally does not obtain funds through brokers or offer premiums to attract deposits. Advantage does not have a significant amount of savings accounts from outside its primary market areas.

12

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

		At Dece		
		2003		2
	Weighted-average rate at 12/31/03	Amount	Percent of total deposits	Amount
Withdrawable accounts:			(Dollars in tho	
Interest-bearing and non-interest bearing checking accounts	0.33%	$105,469	15.7%	$106,875
Money market demand accounts	1.44	128,938	19.2	116,206
Passbook and statement savings accounts	0.25	74,274	11.1	78,359
Total withdrawable accounts	0.80	308,681	46.0	301,440
Certificate accounts:				
Term:				
Seven days to one year	1.08	18,966	2.8	24,537
One to two years	1.88	61,186	9.1	79,172
Two to five years	4.12	174,487	26.0	179,711

Negotiated rate certificates	1.76	40,670	6.1	40,361
Individual retirement accounts	3.47	67,284	10.0	68,851
Total certificate accounts	3.17	362,593	54.0	392,632
Total deposits	2.10%	$671,274	100.0%	$694,072

The following table presents the amount and contractual maturities of Camco's time deposits at December 31, 2003:

	Amount Due			
	Up to one year	1-3 years	3-5 years	Over 5 years
	(Dollars in thousands)			
Amount maturing	$178,290	$146,297	$37,420	$586
Average rate	2.52%	3.52%	4.83%	5.62

The following table sets forth the amount and maturities of Advantage's time deposits in excess of $100,000 at December 31, 2003:

Maturity	At December 31, 2003
	(In thousands)
Three months or less	$27,620
Over three to six months	21,419
Over six to twelve months	8,902
Over twelve months	29,155
Total	$87,096

BORROWINGS. The twelve regional FHLBs function as central reserve banks, providing credit for their member institutions. As a member in good standing of the FHLB of Cincinnati, Advantage is authorized to apply for advances from the FHLB of Cincinnati, provided certain standards of creditworthiness have been met. Advances are made pursuant to several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's regulatory capital or on the FHLB's assessment of the institution's creditworthiness. Under current regulations, a member institution must meet certain qualifications to be eligible for FHLB advances. The extent to which an association is eligible for such advances will depend upon whether it meets the Qualified Thrift Lender ("QTL") test. If an institution meets the QTL

13

test, it will be eligible for 100% of the advances it would otherwise be eligible to receive. If an institution does not meet the QTL test, it will be eligible for such advances only to the extent it holds QTL test assets. At

December 31, 2003, Advantage met the QTL test.

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

	Year ended December 31,		
	2003	2002	
	(Dollars in thousands)		
Maximum amount outstanding	$280,298	$282,122	$3
Average amount outstanding	$273,147	$265,614	$2
Weighted-average interest cost of FHLB advances based on month end balances	5.56%	5.83%	

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

	At December 31,		
	2003	2002	
	(Dollars in thousands)		
Amount outstanding	$262,735	$276,276	$2
Weighted-average interest rate	5.13%	5.63%	

COMPETITION

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

SERVICE CORPORATION ACTIVITIES

Federal regulations permit savings associations to invest an amount up to 2% of their assets in the stock, paid-in surplus and unsecured obligations of subsidiary service corporations engaged in certain activities. In addition, federal regulations generally authorize such institutions which meet the minimum regulatory capital requirements to invest up to 50% of their regulatory capital in conforming first mortgage loans made by service corporations.

First S&L Corporation, a subsidiary of Advantage, did not conduct any business during the year ended December 31, 2003, and was capitalized on a nominal basis at December 31, 2003.

EMPLOYEES

As of December 31, 2003, Camco had 275 full-time employees and 25 part-time employees. Camco believes that relations with its employees are good. Camco offers health and disability benefits and a 401(k) salary savings plan. None of the employees of Camco are represented by a collective bargaining unit.

REGULATION

GENERAL

As a savings and loan holding company within the meaning of the Home Owners' Loan Act of 1933, as amended (the "HOLA"), Camco is subject to regulation, examination and oversight by the OTS. Advantage is subject to regulation by the Division and the FDIC. Camco and Advantage must file periodic reports with these governmental agencies, as applicable, concerning their activities and financial condition. Examinations are conducted periodically by the applicable regulators to determine whether Camco and Advantage are in compliance with various regulatory requirements and are operating in a safe and sound manner. Advantage is also subject to certain regulations promulgated by the Board of Governors of the Federal Reserve System ("FRB").

OHIO REGULATION

Regulation by the Division affects the internal organization of Advantage, as well as its savings, mortgage lending and other investment activities. Ohio law requires that Advantage maintain at least 60% of its assets in housing-related and other specified investments. At December 31, 2003, Advantage had at least 60% of its assets in such investments.

Periodic examinations by the Division are usually conducted on a joint basis with the federal examiners. Ohio law requires that Advantage maintain federal deposit insurance as a condition of doing business. The ability of Ohio savings banks to engage in certain state-authorized investments is subject to oversight and approval by the FDIC. See "Federal Deposit Insurance Corporation - State Chartered Bank Activities."

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

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

FEDERAL DEPOSIT INSURANCE CORPORATION

SUPERVISION AND EXAMINATION. The FDIC is responsible for the regulation and supervision of all commercial banks and state savings banks that are not members of the Federal Reserve System ("Non-member Banks. The FDIC is an independent federal agency that insures the deposits, up to prescribed statutory limits, of federally insured banks and thrifts and safeguards the safety and soundness of the banking and thrift industries. The FDIC administers two separate insurance funds, the Bank Insurance Fund ("BIF") for commercial banks and certain state savings banks and the Savings Association Insurance Fund ("SAIF") for savings associations and savings banks which were formerly organized as savings associations. As a former savings association, Advantage is a member of the SAIF and its deposit accounts are insured by the FDIC, up to the prescribed limits.

The FDIC issues regulations governing the operations of Non-member Banks, examines such institutions and may initiate enforcement actions against the institution and their affiliates for violations of laws and regulations or for engaging in unsafe or unsound practices. If the grounds provided by law exist, the FDIC may appoint a conservator or a receiver for a Non-member Bank.

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

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

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

REGULATORY CAPITAL REQUIREMENTS. Advantage is required by applicable law and regulations to meet certain minimum capital requirements. The capital standards include a leverage limit, or core capital requirement, a tangible capital requirement and a risk-based capital requirement.

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

The risk-based capital requirement specifies total capital, which consists of core or Tier 1 capital and certain general valuation reserves, as a minimum of 8% of risk-weighted assets. For purposes of computing risk-based capital, assets and certain off-balance sheet items are weighted at percentage levels ranging from 0% to 100%, depending on their relative risk.

The FDIC has adopted regulations governing prompt corrective action to resolve the problems of capital deficient and otherwise troubled savings associations and Non-member Banks. At each successively lower defined capital category, an institution is subject to more restrictive and numerous mandatory or discretionary regulatory actions or limits, and the applicable agency has less flexibility in determining how to resolve the problems of the institution. In addition, the agency generally can downgrade an institution's capital category, notwithstanding its capital level, if, after notice and opportunity for hearing, the institution is deemed to be engaging in an unsafe or unsound practice, because it has not corrected deficiencies that resulted in it receiving a less than satisfactory examination rating on matters other than capital or it is deemed to be in an unsafe or unsound condition. Advantage's capital level at December 31, 2003, met the standards for well-capitalized institutions.

16

The following tables present certain information regarding compliance by Advantage with applicable regulatory capital requirements at December 31, 2003:

	At December 31, 2003			
	Actual		For capital adequacy purpo	
	Amount	Ratio		Amount
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	$80,657	12.5%	(Greater Than or Equal to)	$51,539
Tier I capital (to risk-weighted assets)	$75,016	11.6%	(Greater Than or Equal to)	$25,769
Tier I leverage	$75,016	7.4%	(Greater Than or Equal to)	$40,799

	At December 31, 2003			
	To be "well-capitalized" under prompt corrective action provisions			
		Amount		Ratio
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	(Greater Than or Equal to)	$64,424	(Greater Than or E	
Tier I capital (to risk-weighted assets)	(Greater Than or Equal to)	$38,654	(Greater Than or E	
Tier I leverage	(Greater Than or Equal to)	$50,999	(Greater Than or E	

Federal law prohibits a financial institution from making a capital distribution to anyone or paying management fees to any person having control of the institution if, after such distribution or payment, the institution would be undercapitalized. In addition, each company controlling an undercapitalized institution must guarantee that the institution will comply with its capital restoration plan until the institution has been adequately capitalized on average during each of the four preceding calendar quarters and must provide adequate assurances of performance.

TRANSACTIONS WITH AFFILIATES AND INSIDERS

Loans to executive officers, directors and principal shareholders and their related interests must conform to the lending limit on loans to one borrower, and the total of such loans to executive officers, directors, principal shareholders and their related interests cannot exceed the association's Lending Limit Capital (or 200% of Lending Limit Capital for qualifying institutions with less than $100 million in assets). Most loans to directors, executive officers and principal shareholders must be approved in advance by a majority of the "disinterested" members of the board of directors of the association with any "interested" director not participating. All loans to directors, executive officers and principal shareholders must be made on terms substantially the same as offered in comparable transactions with the general public or as offered to all employees in a company-wide benefit program, and loans to executive officers are subject to additional limitations. Advantage was in compliance with such restrictions at December 31, 2003.

All transactions between savings associations and their affiliates must comply with Sections 23A and 23B of the Federal Reserve Act (the "FRA") and the Federal Reserve Board's Regulation W. An affiliate is any company or entity which controls, is controlled by or is under common control with the financial institution. In a holding company context, the parent holding company of a savings association and any companies that are controlled by such parent holding company are affiliates of the institution. Generally, Sections 23A and 23B of the FRA (i) limit the extent to which a financial institution or its subsidiaries may engage in "covered transactions" with any one affiliate up to an amount equal to 10% of such institution's capital stock and surplus for any one affiliate and 20% of such capital stock and surplus for the aggregate of such transactions with all affiliates, and (ii) require that all such transactions be on terms substantially the same, or at least as favorable to the institution or the subsidiary, as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar types of transactions. Exemptions from Sections 23A or 23B of the FRA may be granted only by the FRB. Advantage was in compliance with these requirements at December 31, 2003.

CHANGE IN CONTROL

FEDERAL LAW. The Federal Deposit Insurance Act (the "FDIA") provides that no person, acting directly or indirectly or in concert with one or more persons, shall acquire control of any insured depository institution or holding company, unless 60-days prior written notice has been given to the primary federal regulator for that institution and such regulator has not issued a notice disapproving the proposed acquisition. Control, for purposes of the FDIA, means the power, directly or indirectly, alone or acting in concert, to direct the management or policies of an insured institution or to

17

vote 25% or more of any class of securities of such institution. Control exists in situations in which the acquiring party has direct or indirect voting control of at least 25% of the institution's voting shares, controls in any manner the election of a majority of the directors of such institution or is determined to exercise a controlling influence over the management or policies of such institution. In addition, control is presumed to exist, under certain circumstances where the acquiring party (which includes a group "acting in concert") has voting control of at least 10% of the institution's voting stock. These restrictions do not apply to holding company acquisitions. See "Holding Company Regulation".

OHIO LAW. A statutory limitation on the acquisition of control of an Ohio savings bank requires the written approval of the Division prior to the acquisition by any person or entity of a controlling interest in an Ohio association. Control exists, for purposes of Ohio law, when any person or entity which, either directly or indirectly, or acting in concert with one or more other persons or entities, owns, controls, holds with power to vote, or holds proxies representing, 15% or more of the voting shares or rights of an association, or controls in any manner the election or appointment of a majority of the directors. A director will not be deemed to be in control by virtue of an annual solicitation of proxies voted as directed by a majority of the board of directors. Ohio law also requires that certain acquisitions of voting securities that would result in the acquiring shareholder owning 20%, 33-1/3% or 50% of the outstanding voting securities of Camco must be approved in advance by the holders of at least a majority of the outstanding voting shares represented at a meeting at which a quorum is present and a majority of the portion of the outstanding voting shares represented at such a meeting, excluding the voting shares by the acquiring shareholder. This statute was intended, in part, to protect shareholders of Ohio corporations from coercive tender offers. Under certain circumstances, interstate mergers and acquisitions involving savings banks incorporated under Ohio law are permitted by Ohio law. A financial institution or financial institution holding company with its principal place of business in another state may acquire a savings and loan association or savings and loan holding company incorporated under Ohio law if, in the discretion of the Division, the laws of such other state give an Ohio institution or an Ohio holding company reciprocal rights.

HOLDING COMPANY REGULATION

As a savings and loan holding company within the meaning of the HOLA, Camco has registered with the OTS and is subject to OTS regulations, examination, supervision and reporting requirements.

The HOLA generally prohibits a savings and loan holding company from controlling any other savings association or savings and loan holding company, without prior approval of the OTS, or from acquiring or retaining more than 5% of the voting shares of a savings association or holding company thereof, which is not a subsidiary. Except with the prior approval of the OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25% of such holding company's stock may also acquire control of any savings institution, other than a subsidiary institution, or any other savings and loan holding company.

As a unitary savings and loan holding company in existence on May 4, 1999, Camco generally has no restrictions on its activities. If the OTS determines that there is reasonable cause to believe that the continuation by a savings and loan holding company of an activity constitutes a serious risk to the financial safety, soundness or stability of its subsidiary savings association, however, the OTS may impose such restrictions as deemed necessary to address such risk, including limiting (i) payment of dividends by the savings association, (ii) transactions between the savings association and its affiliates, and (iii) any activities of the savings association that might create a serious risk that the liabilities of Camco and its affiliates may be imposed on the savings association. Notwithstanding the foregoing rules as to permissible business activities of a unitary savings and loan holding company, if the savings association subsidiary of a holding company is not a qualified thrift lender ("QTL"), then such unitary savings and loan holding company would become subject to the activities restrictions applicable to multiple holding companies.

In order to be a QTL, a savings association must meet one of two tests. The first test requires a savings association to maintain a specified level of investments in assets that are designated as qualifying thrift investments ("QTIs"). Generally, QTIs are assets related to domestic residential real estate and manufactured housing, although they also include credit card, student and small business loans and stock issued by any FHLB, the FHLMC or the FNMA. Under the QTL test, 65% of an institution's "portfolio assets" (total assets less goodwill and other intangibles, property used to conduct business and 20% of liquid assets) must consist of QTI on a monthly average basis in nine out of every 12 months. The second test permits a savings association to qualify as a QTL by meeting the definition of "domestic

building and loan association" under the Internal Revenue Code of 1986, as amended (the "Code"). In order for an institution to meet the definition of a "domestic building and loan association" under the Code, at least 60% of its assets must consist of specified types of property, including cash, loans secured by residential real estate or deposits, educational loans and certain governmental obligations. The OTS may grant exceptions to the QTL tests under certain circumstances. At December 31, 2003, Advantage met the QTL test.

FEDERAL RESERVE REQUIREMENTS

FRB regulations currently require savings associations to maintain reserves of 3% of net transaction accounts (primarily NOW accounts) up to $45.4 million (subject to an exemption of up to $6.6 million), and of 10% of net transaction accounts in excess of $45.4 million. At December 31, 2003, Advantage was in compliance with its reserve requirements.

FEDERAL TAXATION

Camco and its subsidiaries are each subject to the federal tax laws and regulations which apply to corporations generally. In addition to the regular income tax, Camco and its subsidiaries may be subject to the alternative minimum tax which is imposed at a minimum tax rate of 20% on "alternative minimum taxable income" (which is the sum of a corporation's regular taxable income, with certain adjustments, and tax preference items), less any available exemptions. Such tax preference items include interest on certain tax-exempt bonds issued after August 7, 1986. In addition, 75% of the amount by which a corporation's "adjusted current earnings" exceeds its alternative minimum taxable income computed without regard to this preference item and prior to reduction by net operating losses, is included in alternative minimum taxable income. Net operating losses can offset no more than 90% of alternative minimum taxable income. The alternative minimum tax is imposed to the extent it exceeds the corporation's regular income tax. Payments of alternative minimum tax may be used as credits against regular tax liabilities in future years.

Certain thrift institutions, such as Advantage, are allowed deductions for bad debts under methods more favorable than those granted to other taxpayers. Qualified thrift institutions may compute deductions for bad debts using either the specific charge-off method of Section 166 of the Code or the experience method of Section 593 of the Code. The "experience" method is also available to small banks. Under the "experience" method, a thrift institution is generally allowed a deduction for an addition to its bad debt reserve equal to the greater of (i) an amount based on its actual average experience for losses in the current and five preceding taxable years, or (ii) an amount necessary to restore the reserve to its balance as of the close of the base year.

Thrift institutions that are treated as small banks are allowed to utilize the experience method applicable to such institutions, while thrift institutions that are treated as large banks are required to use only the specific charge-off method.

A thrift institution required to change its method of computing reserves for bad debts will treat such change as a change in the method of accounting, initiated by the taxpayer and having been made with the consent of the Secretary of the Treasury. Section 481(a) of the Code requires certain amounts to be recaptured with respect to such change. Generally, the amounts to be recaptured will be determined solely with respect to the "applicable excess reserves" of the taxpayer. The amount of the applicable excess reserves will be taken into account ratably over a six-taxable year period, beginning with the first taxable year beginning after 1995, subject to the residential loan requirement described below. In the case of a thrift institution that is treated as a large bank, the amount of the institution's applicable excess reserves generally is the excess of (i) the balances of its reserve for losses on qualifying real property loans (generally loans secured by improved real estate) and its reserve for losses on nonqualifying loans (all other types of loans) as of the close of its last taxable year beginning before January 1, 1996, over (ii) the balances of such reserves as of the close of its last taxable year beginning before January 1, 1988 (i.e., the "pre-1988 reserves"). In the case of a thrift institution that is treated as a small bank, the amount of the institution's applicable excess reserves generally is the excess of (i) the balances of its reserve for losses on qualifying real property loans and its reserve for losses on nonqualifying loans as of the close of its last taxable year beginning before January 1, 1996, over (ii) the greater of the balance of (a) its pre-1988 reserves or (b) what the thrift's reserves would have been at the close of its last year beginning before January 1, 1996, had the thrift always used the experience method.

19

For taxable years that begin after December 31, 1995, and before January 1, 1998, if a thrift meets the residential loan requirement for a tax year, the recapture of the applicable excess reserves otherwise required to be taken into account as a Code Section 481(a) adjustment for the year will be suspended. A thrift meets the residential loan requirement if, for the tax year, the principal amount of residential loans made by the thrift during the year is not less than its base amount. The "base amount" generally is the average of the principal amounts of the residential loans made by the thrift during the six most recent tax years beginning before January 1, 1996. A residential loan is a loan as described in Section 7701(a)(19)(C)(v) (generally a loan secured by residential or church property and certain mobile homes), but only to the extent that the loan is made to the owner of the property. Advantage was required to recapture $1.9 million of its bad debt reserve for which deferred taxes had been provided. The recapture was effected over a six year period that concluded in 2003.

The balance of the pre-1988 reserves is subject to the provisions of Section 593(e) which require recapture in the case of certain excessive distributions to shareholders. The pre-1988 reserves may not be utilized for payment of cash dividends or other distributions to a shareholder (including distributions in dissolution or liquidation) or for any other purpose (except to absorb bad debt losses). Distribution of a cash dividend by a thrift institution to a shareholder is treated as made: first, out of the institution's post-1951 accumulated earnings and profits; second, out of the pre-1988 reserves; and third, out of such other accounts as may be proper. To the extent a distribution by Advantage to Camco is deemed paid out of its pre-1988 reserves under these rules, the pre-1988 reserves would be reduced and the gross income of Camco for tax purposes would be increased by the amount which, when reduced by the income tax, if any, attributable to the inclusion of such amount in its gross income, equals the amount deemed paid out of the pre-1988 reserves. As of December 31, 2003, the pre-1988 reserves for Advantage for tax purposes totaled approximately

$12.8 million. Camco believes Advantage had approximately $14.6 million of accumulated earnings and profits for tax purposes as of December 31, 2003, which would be available for dividend distributions, provided regulatory restrictions applicable to the payment of dividends are met. No representation can be made as to whether Advantage will have current or accumulated earnings and profits in subsequent years.

The tax returns of Camco have been audited or closed without audit through calendar year 1999. In the opinion of management, any examination of open returns would not result in a deficiency which could have a material adverse effect on the financial condition of Camco.

OHIO TAXATION. Camco and Camco Title are subject to the Ohio corporation franchise tax, which, as applied to them, is a tax measured by both net earnings and net worth. The rate of tax is the greater of (i) 5.1% on the first $50,000 of computed Ohio taxable income and 8.5% of computed Ohio taxable income in excess of $50,000 or (ii) .40% times taxable net worth.

A special litter tax is also applicable to all corporations, including Camco, subject to the Ohio corporation franchise tax other than "financial institutions." If the franchise tax is paid on the net income basis, the litter tax is equal to .11% of the first $50,000 of computed Ohio taxable income and ..22% of computed Ohio taxable income in excess of $50,000. If the franchise tax is paid on the net worth basis, the litter tax is equal to .014% times taxable net worth.

Advantage is a "financial institution" for State of Ohio tax purposes. As such, it is subject to the Ohio corporate franchise tax on "financial institutions," which is imposed annually at a rate of 1.3% of its book net worth determined in accordance with generally accepted accounting principles. As a "financial institution," Advantage is not subject to any tax based upon net income or net profits imposed by the State of Ohio.

DELAWARE TAXATION. As a Delaware corporation, Camco is subject to an annual franchise tax based on the quantity and par value of its authorized capital stock and its gross assets. As a savings and loan holding company, Camco is exempt from Delaware corporate income tax.

KENTUCKY TAXATION. The Commonwealth of Kentucky imposes no income or franchise taxes on savings institutions. Advantage is subject to an annual ad valoreum tax which is .1% of Advantage's Kentucky deposit accounts, and apportioned common stock and retained income, with certain deductions for amounts borrowed by depositors and securities guaranteed by the U.S. Government or certain of its agencies.

WEST VIRGINIA TAXATION. Advantage and Camco Title are subject to a West Virginia tax on apportioned adjusted net income and a West Virginia franchise tax on apportioned adjusted capital. The adjusted net income of each is taxed at a rate of 9.0%. The franchise tax rate is 0.75% of adjusted capital. The apportionment is based solely on the ratio of gross receipts derived from West Virginia as compared to gross receipts everywhere.

ITEM 2. PROPERTIES.

The following table provides the location of, and certain other information pertaining to, Camco's office premises as of December 31, 2003:

Office Location	Year facility commenced operations	Leased or owned
134 E. Court Street Washington Court House, Ohio	1963	Owned(2)
1050 Washington Ave. Washington Court House, Ohio	1996	Owned
1 N. Plum Street Germantown, Ohio	1998	Owned
687 West Main Street New Lebanon, Ohio	1998	Owned
1392 Cherry Bottom Road Gahanna, Ohio	1999	Leased(3)
3002 Harrison Avenue Cincinnati, Ohio	2000	Owned
1101 St. Gregory Street Cincinnati, Ohio	2000	Leased(4)
5071 Glencrossing Way Cincinnati, Ohio	2000	Leased(5)
126 S. 9th Street Cambridge, Ohio	1998	Owned
226 Third Street Marietta, Ohio	1976	Owned(6)
1925 Washington Boulevard Belpre, Ohio	1979	Owned
478 Pike Street Marietta, Ohio	1998	Leased(7)
510 Grand Central Avenue Vienna, West Virginia	1991	Leased(8)
814 Wheeling Avenue Cambridge, Ohio	1963	Owned(9)
327 E. 3rd Street Uhrichsville, Ohio	1975	Owned
175 N. 11th Street Cambridge, Ohio	1981	Owned

(Footnotes begin on page 24)

Office Location	Year facility commenced operations	Leased or owned
209 Seneca Avenue Byesville, Ohio	1978	Leased(10)
547 S. James Street Dover, Ohio	2002	Owned
2497 Dixie Highway Ft. Mitchell, Kentucky	2001	Owned
401-7 Pike Street Covington, Kentucky	2001	Owned
3522 Dixie Highway Erlanger, Kentucky	2001	Owned
612 Buttermilk Pike Crescent Springs, Kentucky	2001	Owned
7550 Dixie Highway Florence, Kentucky	2001	Owned
1640 Carter Avenue Ashland, Kentucky	1996	Owned
U.S. 60A West Summit, Kentucky	1996	Owned
191 Eastern Heights Shopping Center Huntington, West Virginia	1997	Leased(11)
6901 Glenn Highway Cambridge, Ohio	1999	Owned
1320A and 1320 D 4th Street, N.W. New Philadelphia, Ohio	1985	Owned(12)
100 E. Wilson Bridge Road - Suite #105 & 110 Worthington, Ohio	2004	Leased(13)
45 West Second Street Chillicothe, Ohio	1994	Leased(14)
6269 Frank Ave. N. Canton, Ohio	1992	Leased(15)

(Footnotes on following page)

(1) Net book value amounts are for land, buildings, improvements and

construction in progress.

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

(3) The lease expires in March 2004. Operations were moved to the Worthington location in February 2004.

(4) The lease is currently on a month to month basis.

(5) The lease expires in November 2005. Advantage has the option to renew for a five-year term.

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

(7) The lease expires in November 2017. Advantage has the option to renew for 2 five-year terms. The lease is for land only.

(8) The lease expires in August 2004.

(9) The net book value above includes construction in progress of $59,523.

(10) The lease expires in September 2005. Advantage has the option to renew the lease for two five-year terms.

(11) The lease expires in March 2005.

(12) The 4th Street facility also serves as the Camco Title - New Philadelphia office.

(13) The lease expires in September 2008. Advantage has the option to renew for two five-year terms. The net book value above represents construction in progress of $91,330.

(14) The lease expires in September 2004.

(15) The lease expires in August 2004. Advantage has the option to renew for two five-year terms.

Camco also owns furniture, fixtures and equipment. The net book value of Camco's investment in office premises and equipment totaled $13.4 million at December 31, 2003. See Note E of Notes to Consolidated Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

24

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

At February 18, 2004, Camco had 7,351,150 shares of common stock outstanding and held of record by approximately 2,056 stockholders. Price information for Camco's common stock is quoted on The Nasdaq National Market ("Nasdaq") under the symbol "CAFI." The table below sets forth the high and low trade information for the common stock of Camco, together with the dividends declared per share of common stock, for each quarter of 2003, 2002 and 2001.

Year ended December 31, 2003	High	Low	Cash dividends declared
Quarter ending:			
December 31, 2003	$18.39	$17.06	$0.145
September 30, 2003	18.23	15.90	0.145
June 30, 2003	17.00	15.00	0.140
March 31, 2003	17.08	14.21	0.140
Year ended December 31, 2002			
Quarter ending:			
December 31, 2002	$14.30	$12.95	$0.135
September 30, 2002	14.75	13.13	0.135
June 30, 2002	14.61	13.00	0.130
March 31, 2002	13.35	12.10	0.125
Year ended December 31, 2001			
Quarter ending:			
December 31, 2001	$13.00	$10.95	$0.120
September 30, 2001	13.75	12.01	0.120
June 30, 2001	12.58	10.60	0.120
March 31, 2001	11.38	9.44	0.120

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

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

SELECTED CONSOLIDATED FINANCIAL DATA:(1)	2003	2002	AT DE
			(In t
Total amount of:			
Assets	$1,039,151	$1,083,240	$1
Interest-bearing deposits in other financial institutions	30,904	36,807	
Investment securities available for sale - at market	27,008	38,789	
Investment securities held to maturity	1,130	5,368	
Mortgage-backed securities available for sale - at market	77,916	97,332	

Mortgage-backed securities held to maturity	7,704	20,000
Loans receivable - net(2)	805,082	796,958
Deposits	671,274	694,072
FHLB advances and other borrowings	262,735	276,276
Stockholders' equity - substantially restricted	92,543	98,601

SELECTED CONSOLIDATED OPERATING DATA:(1)		YEAR ENDE
	2003	2002
		(In thousands, ex
Total interest income	$54,875	$66,002
Total interest expense	31,237	38,556
Net interest income	23,638	27,446
Provision for losses on loans	1,446	1,169
Net interest income after provision for losses on loans	22,192	26,277
Other income	11,411	10,100
General, administrative and other expense	22,404	21,682
Restructuring charges(credits) related to charter consolidation	--	(112)
FHLB advance prepayment fees	1,292	--
Earnings before federal income taxes	9,907	14,807
Federal income taxes	3,051	4,802
Net earnings	6,856	10,005
Prepayment fees and restructuring charges(credits)(net of tax)	853	(74)
Net earnings from operations	$ 7,709	$ 9,931
Earnings per share:		
Basic	$ 0.92	$ 1.27
Basic from operations	$ 1.03	$ 1.26
Diluted	$ 0.91	$ 1.25
Diluted from operations	$ 1.02	$ 1.24

		YEAR EN
	2003	2002
Return on average assets(3)	0.65%	0.92%
Return on average assets from operations(3)	0.73	0.91
Return on average equity(3)	7.17	10.33
Return on average equity from operations(3)	8.07	10.25
Average equity to average assets(3)	9.01	8.86
Dividend payout ratio(4)	61.96	41.34

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(1) The information as of December 31, 2001 reflects the acquisition of Columbia Financial of Kentucky, Inc. The information as of December 31, 2000 reflects the acquisition of Westwood Homestead Financial Corporation. These combinations were accounted for using the purchase method of accounting.

(2) Includes loans held for sale.

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

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL

Since its incorporation in 1970, Camco has evolved into a full-service provider of financial products to the communities served by Advantage Bank. Utilizing a common marketing theme based on Camco's commitment to personalized customer service, Camco and its affiliates have grown from $22.4 million of consolidated assets in 1970 to $1.04 billion of consolidated assets at December 31, 2003. Camco's rate of growth is largely attributable to its acquisitions of Marietta Savings, First Savings, First Bank for Savings, Germantown Federal, Westwood Homestead and Columbia Savings and its continued expansion of product lines from the limited deposit and loan offerings which the Bank could offer in the heavily regulated environment of the 1970s to the wider array of financial service products that commercial banks traditionally offered. Additionally, Camco has enhanced its operational growth by integrating its residential lending function through establishing mortgage-banking operations in the Bank's primary market areas and, to a lesser extent, by chartering a title insurance agency.

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

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

FORWARD-LOOKING STATEMENTS

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

CRITICAL ACCOUNTING POLICIES

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

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

ALLOWANCE FOR LOAN LOSSES

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

The allowance is regularly reviewed by management to determine whether the amount is considered adequate to absorb probable losses. This evaluation includes specific loss estimates on certain individually reviewed loans, statistical loss estimates for loan pools that are based on historical loss experience, and general loss estimates that are based upon the size, quality, and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower's ability to repay, and current economic and industry conditions. Also considered as part of that judgment is a review of the Bank's trends in delinquencies and loan losses, as well as trends in delinquencies and losses for the region and nationally, and economic factors.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses inherent in the loan portfolio.

Management's evaluation of the adequacy of the allowance is an estimate based on management's current judgment about the credit quality of the loan portfolio. While the Corporation strives to reflect all known risk factors in its evaluations, judgment errors may occur.

MORTGAGE SERVICING ASSETS

To determine the fair value of its mortgage servicing rights ("MSRs") each reporting quarter, management transmits information to a third party provider, representing individual loan information in each pooling period accompanied by escrow amounts. The third party then evaluates the possible impairment of MSRs. This process is described below.

Servicing assets are recognized as separate assets when loans are sold with servicing retained. A pooling methodology to the servicing valuation, in which loans with similar characteristics are "pooled" together, is applied for valuation purposes. Once pooled, each grouping of loans is evaluated on a discounted earnings basis to determine the present value of future earnings that a purchaser could expect to realize from the portfolio. Earnings are projected from a variety of sources including loan service fees, interest earned on float, net interest earned on escrow balances, miscellaneous income and costs to service the loans. The present value of future earnings is the estimated market value for the pool, calculated using consensus assumptions that a third party purchaser would utilize in evaluating a potential acquisition of the servicing. Events that may significantly affect the estimates used are changes in interest rates and the related impact on mortgage loan prepayment speeds and the payment performance of the underlying loans. The interest rate for float, which is supplied by management, takes into consideration the investment portfolio average yield as well as current short duration investment yields. Management believes this methodology provides a reasonable estimate. Mortgage loan prepayment speeds are calculated by the third party provider utilizing the Economic Outlook as published by the Office of Chief Economist of the Federal Home Loan Mortgage Corporation ("Freddie Mac") in estimating prepayment speeds and provides a specific scenario with each evaluation. Based on the assumptions discussed, pre-tax projections are prepared for each pool of loans serviced. These earning figures approximate the cash flow that could be received from the servicing portfolio. Valuation results are presented quarterly to management. At that time, management reviews the information and the mortgage servicing asset is marked to lower of amortized cost or market for the current quarter.

28

GOODWILL

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

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

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

After each testing period, the third party compiles a summary of the test that is then provided to the audit committee for review.

SUMMARY

Management believes the accounting estimates related to the allowance for loan losses, the capitalization, amortization, and valuations of mortgage servicing assets and the goodwill impairment test are "critical accounting estimates" because: (1) the estimates are highly susceptible to change from period to period because they require management to make assumptions concerning the changes in the types and volumes of the portfolios, rates of future prepayments, and anticipated economic conditions, and (2) the impact of recognizing an impairment or loan loss could have a material effect on Camco's assets reported on the balance sheet as well as its net earnings. Management has discussed the development and selection of these critical accounting estimates with the audit committee of the board of directors and the audit committee has reviewed Camco's disclosures relating to them in this annual report.

DISCUSSION OF FINANCIAL CONDITION CHANGES FROM DECEMBER 31, 2002 TO DECEMBER 31, 2003

At December 31, 2003, Camco's consolidated assets totaled $1.04 billion, a decrease of $44.1 million, or 4.1%, from the December 31, 2002 total. The decrease in total assets was comprised primarily of a decrease in investment securities and mortgage-backed securities, which were partially offset by an increase in loans receivable.

Cash and interest-bearing deposits in other financial institutions totaled $53.7 million at December 31, 2003, a decrease of $3.3 million, or 5.8%, from December 31, 2002 levels. Investment securities totaled $28.1 million at December 31, 2003, a decrease of $16.0 million, or 36.3%, from the total at December 31, 2002. Investment securities purchases were comprised of $10.3 million of intermediate-term FHLB and FNMA bonds, all were callable, with an average yield of 2.95%. Such purchases were offset by maturities of $21.6 million and sales of $3.8 million during the year.

Mortgage-backed securities totaled $85.6 million at December 31, 2003, a decrease of $31.7 million, or 27.0%, from December 31, 2002. Mortgage-backed securities purchases totaled $114.0 million, while principal repayments totaled $83.1 million and sales totaled $59.1 million during the year ended December 31, 2003. Purchases of mortgage-backed securities during the year were comprised primarily of balloon and ten-year amortizing U.S. Government agency securities yielding 3.56%, which were classified as available for sale.

Loans receivable and loans held for sale totaled $805.1 million at December 31, 2003, an increase of $8.1 million, or 1.0%, over the total at December 31, 2002. The increase resulted primarily from loan disbursements and purchases totaling $619.5 million, which were substantially offset by loan sales of $279.0 million and principal repayments of $324.5 million. Loan origination volume, including purchases of loans, during 2003 exceeded 2002 volume by $44.1 million, or 7.7%, which was