CAMCO FINANCIAL CORP
Form 10-Q
November 14, 2001

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2001

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 office)

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

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

Yes [X] No [ ]

As of November 13, 2001, the latest practicable date, 7,044,189 shares of the registrant's common stock, $1.00 par value, were issued and outstanding.

Camco Financial Corporation

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Camco Financial Corporation

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

	September
ASSETS	
Cash and due from banks	$ 18
Interest-bearing deposits in other financial institutions	64
Cash and cash equivalents	82
Investment securities available for sale - at market	
Investment securities held to maturity - at cost, approximate market value of $6,532 and $16,617 as of September 30, 2001 and December 31, 2000	6
Mortgage-backed securities available for sale - at market	7
Mortgage-backed securities held to maturity - at cost, approximate market value of $9,821 and $5,247 as of September 30, 2001 and December 31, 2000	9
Loans held for sale - at lower of cost or market	7
Loans receivable - net	841
Office premises and equipment - net	13
Real estate acquired through foreclosure	1
Federal Home Loan Bank stock - at cost	20
Accrued interest receivable on loans	5
Accrued interest receivable on mortgage-backed securities	
Accrued interest receivable on investment securities and interest-bearing deposits	
Prepaid expenses and other assets	2
Cash surrender value of life insurance	6
Goodwill and other intangible assets	2
Prepaid federal income taxes	
Total assets	$1,007
LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits	$ 649
Advances from the Federal Home Loan Bank	262
Advances by borrowers for taxes and insurance	2
Accounts payable and accrued liabilities	4
Dividends payable	
Accrued federal income taxes	
Deferred federal income taxes	3
Total liabilities	923
Stockholders' equity	
Preferred stock - $1 par value; authorized 100,000 shares; no shares outstanding	
Common stock - $1 par value; authorized 14,900,000 shares, 7,166,843 and 7,057,917 shares issued at September 30, 2001 and December 31, 2000, respectively	7
Additional paid-in capital	42
Retained earnings - substantially restricted	35
Less 126,019 shares of treasury stock - at cost	(1

Accumulated comprehensive income, unrealized gains on securities designated as available for sale, net of related tax effects	
Total stockholders' equity	83
Total liabilities and stockholders' equity	$1,007

Camco Financial Corporation

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

	Nine months ended September 30, 2001	2000
Interest income		
Loans	$53,087	$53,075
Mortgage-backed securities	706	855
Investment securities	621	856
Interest-bearing deposits and other	2,139	1,382
Total interest income	56,553	56,168
Interest expense		
Deposits	23,918	20,820
Borrowings	13,102	15,707
Total interest expense	37,020	36,527
Net interest income	19,533	19,641
Provision for losses on loans	458	431
Net interest income after provision for losses on loans	19,075	19,210
Other income		
Late charges, rent and other	2,084	1,523
Loan servicing fees (costs)	(715)	540
Service charges and other fees on deposits	650	530
Gain on sale of loans	2,718	1,573
Loss on sale of investment and mortgage-backed securities designated as available for sale	-	(37)
Gain on disposition of premises and equipment	30	15
Gain on sale of real estate acquired through foreclosure	56	49

Total other income	4,823	4,193
General, administrative and other expense		
Employee compensation and benefits	6,449	6,901
Occupancy and equipment	2,516	2,271
Federal deposit insurance premiums	90	88
Data processing	1,063	1,003
Advertising	614	561
Franchise taxes	855	815
Amortization of goodwill	112	112
Other operating	3,372	3,040
Total general, administrative and other expense	15,071	14,791
Earnings before federal income taxes	8,827	8,612
Federal income taxes		
Current	2,348	2,731
Deferred	457	175
Total federal income taxes	2,805	2,906
NET EARNINGS	$ 6,022	$ 5,706
EARNINGS PER SHARE		
Basic	$0.87	$0.83
Diluted	$0.85	$0.82

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Camco Financial Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Nine months ended September 30, 2001	2000
Net earnings	$6,022	$5,706
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) during the period, net of related taxes (benefits) of $50, $3, $32 and $(1)		

for the nine and three months ended September 30, 2001 and 2000, respectively	97	6
Reclassification adjustment for realized losses included in net earnings, net of tax benefits of $13 and $14, respectively	-	24
Comprehensive income	$6,119	$5,736
Accumulated comprehensive income (loss)	$ 101	$ (94)

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CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30,
(In thousands)

	20
Cash flows from operating activities:	
Net earnings for the period	$ 6,0

Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:	
Amortization of deferred loan origination fees	(7
Amortization of premiums and discounts on investment and mortgage-backed securities - net	
Amortization of goodwill	1
Amortization of purchase accounting adjustments - net	2
Depreciation and amortization	1,0
Provision for losses on loans	4
Gain on sale of real estate acquired through foreclosure	(
Federal Home Loan Bank stock dividends	(1,0
Gain on sale of loans	(1,3
Gain on sale of premises and equipment	(
Loss on sale of investment and mortgage-backed securities designated as available for sale	
Loans originated for sale in the secondary market	(129,1
Proceeds from sale of loans in the secondary market	127,5
Increase (decrease) in cash, net of acquisition of Westwood Homestead Financial Corporation, due to changes in:	
Accrued interest receivable	3
Prepaid expenses and other assets	(8
Accrued interest and other liabilities	(1,1
Federal income taxes:	
Current	1,2
Deferred	4
Net cash provided by operating activities	3,1
Cash flows provided by (used in) investing activities:	
Proceeds from maturities of investment securities	17,2
Proceeds from sale of mortgage-backed securities designated as available for sale	
Purchase of investment securities designated as held to maturity	(6,9
Purchase of mortgage-backed securities designated as available for sale	
Purchase of mortgage-backed securities designated as held to maturity	(5,5
Purchase of loans	(6,8
Loan disbursements	(118,7
Principal repayments on loans	208,8
Principal repayments on mortgage-backed securities	3,3
Purchase of office premises and equipment	(6
Proceeds from sales of real estate acquired through foreclosure	1,5
Additions to real estate acquired through foreclosure	(
Purchase of Federal Home Loan Bank stock	(1
Proceeds from redemption of Federal Home Loan Bank stock	
Purchase of cash surrender value of life insurance	
Net increase in cash surrender value of life insurance	(2
Purchase of Westwood Homestead Financial Corporation	
Net cash provided by (used in) investing activities	91,7
Net cash provided by (used in) operating and investing activities (subtotal carried forward)	94,9

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the nine months ended September 30,
(In thousands)

	20
Net cash provided by (used in) operating and investing activities (subtotal brought forward)	$94,9
Cash flows provided by (used in) financing activities:	
Net increase in deposits	16,9
Proceeds from Federal Home Loan Bank advances	38,2
Repayment of Federal Home Loan Bank advances	(88,8
Dividends paid on common stock	(2,5
Proceeds from exercise of stock options	1,2
Advances by borrowers for taxes and insurance	(1,9
Net cash provided by (used in) financing activities	(36,8
Net increase in cash and cash equivalents	58,1
Cash and cash equivalents at beginning of period	24,0
Cash and cash equivalents at end of period	$82,2
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Interest on deposits and borrowings	$35,6
Income taxes	$ 2,5
Supplemental disclosure of noncash investing activities:	
Transfers of mortgage loans to real estate acquired through foreclosure	$ 2,2
Unrealized gains on investments and mortgage-backed securities designated as available for sale	$
Recognition of mortgage servicing rights in accordance with SFAS No. 140	$ 1,3
Liabilities assumed, stock and cash paid in acquisition of Westwood Homestead Financial Corporation	$
Less: fair value of assets received	

Amount assigned to goodwill	$
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Camco Financial Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 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, 2000. 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 nine and three month periods ended September 30, 2001, are not necessarily indicative of the results which may be expected for the entire year.

In January 2000, the Corporation acquired Westwood Homestead Financial Corporation ("Westwood Financial") utilizing the purchase method of accounting (the "Merger"). Westwood Financial was merged into the Corporation upon consummation of the Merger and Westwood Financial's banking subsidiary, Westwood Homestead Savings Bank, continued operations as a wholly-owned subsidiary of the Corporation. Camco paid $11.1 million in cash and issued 1,304,875 of its common shares in connection with the Merger.

On June 1, 2001, Camco's five wholly-owned community bank subsidiaries, Cambridge Savings Bank, Marietta Savings Bank, First Federal Savings Bank of Washington Court House, First Federal Bank for Savings and Westwood Homestead Savings Bank, merged under the Cambridge Savings Bank charter. At the effective time of the merger, Cambridge Savings Bank was re-named Advantage Bank ("Advantage" or the "Bank"). Advantage is headquartered in Cambridge, Ohio and each of the former banks operate as separate divisions of Advantage Bank.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Camco and its two wholly-owned subsidiaries: Advantage Bank and Camco Title Insurance Agency, Inc., as well as two second tier subsidiaries, Camco Mortgage Corporation and WestMar Mortgage Company. All significant intercompany balances and transactions have been eliminated.

3. Earnings Per Share

Basic earnings per share for the nine and three month periods ended September 30, 2001, is computed based on 6,961,160 and 6,987,461 weighted-average shares outstanding during the respective periods.

Basic earnings per share for the nine and three month periods ended September 30, 2000, is computed based on 6,909,532 and 6,931,898 weighted-average shares outstanding during the respective periods.

Diluted earnings per share is computed taking into consideration common shares outstanding and dilutive potential common shares to be issued under the Corporation's stock option plans. Weighted-average common shares deemed outstanding for purposes of computing diluted earnings

3. Earnings Per Share (continued)

per share totaled 7,053,690 and 7,102,921 for the nine and three month periods ended September 30, 2001, respectively, and 6,951,009 and 6,978,301 for the nine and three month periods ended September 30, 2000, respectively.

Incremental shares related to the assumed exercise of stock options included in the computation of diluted earnings per share for the nine and three month periods ended September 30, 2001, totaled 92,530 and 115,460, and for the nine and three month periods ended September 30, 2000, totaled 41,477 and 46,403, respectively.

Options to purchase 252,152 and 65,416 shares of common stock with a respective weighted-average exercise price of $13.11 and $14.84 were outstanding at September 30, 2001, but were excluded from the computation of common share equivalents for the nine and three month periods ended September 30, 2001, because the exercise prices were greater than the average market price of the common shares.

Options to purchase 432,795 shares of common stock with a weighted-average exercise price of $12.16 were outstanding at September 30, 2000, but were excluded from the computation of common share equivalents for the nine and three month periods ended September 30, 2000, because the exercise prices were greater than the average market price of the common shares.

4. Effects of Recent Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of the provisions of SFAS No. 125 without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Management adopted SFAS No. 140 effective April 1, 2001, as required, without material effect on the Corporation's financial position or results of operations.

In June 2001, the FASB issued SFAS No. 141 "Business Combinations," which requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method. The pooling-of-interests method of accounting is prohibited except for combinations initiated before June 30, 2001. The remaining provisions of SFAS No. 141 relating to business combinations accounted for by the purchase method, including identification of intangible assets, accounting for negative goodwill and financial statement presentation and disclosure, are effective for combinations completed after June 30, 2001. Management adopted SFAS No. 141 effective July 1, 2001, as required, without material effect on the Corporation's financial position or results of operations.

In June 2001, the FASB issued SFAS No. 142 "Goodwill and Intangible Assets," which prescribes accounting for all purchased goodwill and intangible assets. Pursuant to SFAS No. 142, acquired goodwill is not amortized, but is tested for impairment at the reporting unit level annually and whenever an impairment indicator arises. All goodwill should be assigned to reporting units that are

4. Effects of Recent Accounting Pronouncements (continued)

expected to benefit from the goodwill. When an entity reorganizes its reporting structure, goodwill should be reallocated to reporting units based on the relative fair values of the units. Goodwill impairment should be tested with a two-step approach. First, the fair value of the reporting unit should be compared to its carrying value, including goodwill. If the reporting unit's carrying value exceeds its fair value, then any goodwill impairment should be measured as the excess of the goodwill's carrying value over its implied fair value. The implied fair value of goodwill should be calculated in the same manner as goodwill is calculated for a business combination, using the reporting units' fair value as the "purchase price." Therefore, the goodwill's implied fair value will be the excess of the "purchase price" over the amounts allocated to assets, including unrecognized intangible assets, and liabilities of the reporting unit. Goodwill impairment losses should be reported in the income statement as a separate line item within operations, except for such losses included in the calculation of a gain or loss from discontinued operations.

An acquired intangible asset, other than goodwill, should be amortized over its useful economic life. The useful life of an intangible asset is indefinite if it extends beyond the foreseeable horizon. If an asset's life is indefinite, the asset should not be amortized until the life is determined to be finite. Intangible assets being amortized should be tested for impairment in accordance with SFAS No. 121. Intangible assets not being amortized should be tested for impairment, annually and whenever there are indicators of impairment, by comparing the asset's fair value to its carrying amount.

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Early adoption is permitted for companies with fiscal years beginning after March 15, 2001, but only if the first quarter financial statements have not previously been issued. Calendar year end companies may not adopt early. Until adoption of SFAS No. 142, existing goodwill continues to be amortized and tested for impairment under previously existing standards. As of the date SFAS No. 142 is adopted and based on the company's current reporting structure, reporting units should be established; net assets should be assigned to reporting units, unless they do not relate to a reporting unit; and goodwill should be assigned to one or more reporting units.

Within nine months of adopting SFAS No. 142, a company must have completed the first step of the goodwill transitional impairment test: a comparison, as of the beginning of the fiscal year, of each reporting unit's fair value with its carrying value. If the carrying value exceeds fair value, the second step - calculating the amount of goodwill impairment as of the beginning of the fiscal year - would be required as soon as possible, but no later than the end of the fiscal year. Any transitional impairment loss would be reported as a change in accounting principle in the first interim period financial statements of the implementation year, regardless of when the loss measurement is completed. After completion of the first step of the transitional test, a company should disclose which segments might have to recognize an impairment loss and when the potential loss would be measured.

If an impairment indicator arises before the completion of the transition testing, a full impairment test would be required as soon as possible. Any goodwill impairment resulting from this test should be reported as an impairment loss, not as a change in accounting principle. The adoption of SFAS No. 142 will result in the elimination of annual goodwill amortization charges of approximately $150,000.

CONDITION AND RESULTS OF OPERATIONS

For the nine and three month periods ended September 30, 2001 and 2000

Discussion of Financial Condition Changes from December 31, 2000 to September 30, 2001

At September 30, 2001, Camco's consolidated assets totaled $1.0 billion, a decrease of $30.7 million, or 3.0%, from the December 31, 2000 total. The decrease in total assets consisted primarily of decreases in loans receivable and investment securities, partially offset by an increase in interest-bearing deposits. The decrease in assets resulted from a $50.5 million decrease in advances from the Federal Home Loan Bank, which was partially offset by a $17.0 million increase in deposits and a $4.8 million increase in stockholders' equity.

Cash and interest-bearing deposits in other financial institutions totaled $82.2 million at September 30, 2001, an increase of $58.1 million, or 241.5%, over December 31, 2000 levels. Investment securities totaled $6.7 million at September 30, 2001, a decrease of $10.2 million, or 60.3%, from the total at December 31, 2000. Purchases of investment securities totaled $7.0 million, while maturities amounted to $17.2 million during the nine-month period ended September 30, 2001. Proceeds from principal repayments on loans and maturities of investment securities have contributed to growth in cash and cash equivalents while management researches viable alternatives for redeployment.

Mortgage-backed securities totaled $17.5 million at September 30, 2001, an increase of $2.3 million, or 15.4%, over December 31, 2000. Mortgage-backed securities purchases totaled $5.5 million, while principal repayments totaled $3.3 million.

Loans receivable, including loans held for sale, decreased by $82.4 million, or 8.9%, during the nine months ended September 30, 2001, to a total of $848.2 million. The decrease resulted primarily from principal repayments of $208.8 million and loan sales of $126.2 million, which were partially offset by loan disbursements, including purchased loans, which totaled $254.8 million. The volume of loans originated and purchased during the 2001 nine-month period was less than that of the 2000 period by $7.2 million, or 2.8%, while the volume of loan sales increased by $43.1 million year to year.

As interest rates in the economy have declined over the first nine months of 2001, consumer preference has shifted to long-term fixed-rate mortgage loans to fund home purchases and to refinance current loans. Camco's loan production in this lower interest rate environment has clearly shifted to fixed-rate mortgage loans and Camco will continue its asset/liability management strategy of selling low-yielding, long-term, fixed-rate loans.

Nonperforming loans (90 days or more delinquent plus nonaccrual loans) totaled $6.8 million and $4.7 million at September 30, 2001 and December 31, 2000, respectively, constituting .81% and .51% of total net loans, including loans held for sale, at those dates. At September 30, 2001, nonperforming loans consisted primarily of one- to four-family residential properties which management believes are adequately collateralized. The consolidated allowance for loan losses totaled $3.3 million and $2.9 million at September 30, 2001 and December 31, 2000, respectively, representing 48.4% and 61.5% of nonperforming loans, respectively, at those dates. Although management believes that its allowance for loan losses is adequate based upon the available facts and circumstances at September 30, 2001, there can be no assurance that additions to such allowance will not be necessary in future periods, which could adversely affect Camco's results of operations.

Camco Financial Corporation

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

For the nine and three month periods ended September 30, 2001 and 2000

Discussion of Financial Condition Changes from December 31, 2000 to September 30, 2001 (continued)

Deposits totaled $649.3 million at September 30, 2001, an increase of $17.0 million, or 2.7%, over December 31, 2000 levels. The increase resulted primarily from management's continuing efforts to achieve growth in deposits through marketing and pricing strategies. Advances from the Federal Home Loan Bank ("FHLB") decreased by $50.5 million, or 16.1%, to a total of $262.9 million at September 30, 2001. The proceeds from deposit growth, and a portion of the excess liquidity resulting from repayments on loans receivable and proceeds from loan sales, were used to repay FHLB borrowings during the period.

Advantage is required to maintain minimum regulatory capital pursuant to federal regulations. At September 30, 2001, the Bank's regulatory capital exceeded all regulatory capital requirements.

Comparison of Results of Operations for the Nine Months Ended September 30, 2001 and 2000

General

Camco's profitability depends primarily on the level of its 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 been heavily influenced by the level of other income, particularly gains on sale of loans. Camco's operations are also influenced by the level of general, administrative and other expenses, including employee compensation and benefits, occupancy and equipment and data processing, as well as various other operating expense categories, including federal income tax expense.

Camco's net earnings for the nine months ended September 30, 2001 totaled $6.0 million, an increase of $316,000, or 5.5%, over the $5.7 million of net earnings reported in the comparable 2000 period. Camco's results for the nine months ended September 30, 2001, included a $1.1 million pre-tax restructuring charge related to the consolidation of Camco's five bank subsidiaries in June 2001. The restructuring charge was primarily comprised of one-time compensation charges and professional fees associated with the consolidation. Camco anticipates that the approximate pre-tax savings from the restructuring, coupled with other personnel reductions, may amount to $1.7 million in 2002. Excluding the restructuring charge, the Corporation's net earnings for the nine months ended September 30, 2001, would have totaled $6.7 million, representing an increase of

$1.0 million, or 18.1%, over the reported net earnings for the nine months ended September 30, 2000.

The $316,000 increase in net earnings for the nine months ended September 30, 2001, was primarily attributable to a $630,000 increase in other income and a $101,000 decrease in the provision for federal income taxes, which were partially offset by a $280,000 increase in general, administrative and other expense, a $27,000 increase in the provision for losses on loans and a $108,000 decrease in net interest income.

Comparison of Results of Operations for the Nine Months Ended September 30, 2001 and 2000 (continued)

Net Interest Income

Total interest income for the nine months ended September 30, 2001, amounted to $56.6 million, an increase of $385,000, or .7%, over the nine-month period ended September 30, 2000, generally reflecting the growth in average interest-earning assets outstanding of approximately $29.2 million, or 3.1%.

Interest income on loans and mortgage-backed securities totaled $53.8 million for the nine months ended September 30, 2001, a decrease of $137,000, or .3%, from the comparable 2000 period. The decrease resulted primarily from a 6 basis point decline in average yield, to 7.83% in the 2001 period, which was partially offset by a $4.8 million, or .5%, increase in the average balance outstanding. Interest income on investment securities and other interest-earning assets increased by $522,000, or 23.3%, due primarily to a $24.3 million, or 56.6%, increase in the average balance outstanding year to year, offset by a 147 basis point decrease in average yield, to 5.46% in the 2001 period.

Interest expense on deposits increased by $3.1 million, or 14.9%, to a total of $23.9 million for the nine months ended September 30, 2001, due primarily to a $66.7 million, or 11.5%, increase in average deposits outstanding year to year, which was partially offset by a 14 basis point decrease in the average cost of deposits, to 4.93% for the 2001 period. Interest expense on borrowings totaled $13.1 million for the nine months ended September 30, 2001, a decrease of $2.6 million, or 16.6%, from the 2000 nine-month period. The decrease resulted primarily from a $42.1 million, or 12.8%, decrease in the average balance outstanding year to year, coupled with a 28 basis point decrease in average cost of borrowings to 6.09% in the 2001 period.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased by $108,000, or .5%, to a total of $19.5 million for the nine months ended September 30, 2001. The interest rate spread decreased to approximately 2.38% at September 30, 2001, from 2.49% at September 30, 2000, while the net interest margin decreased to approximately 2.65% for the nine months ended September 30, 2001, compared to 2.74% for the 2000 period.

Provision for Losses on Loans

A provision for losses on loans is charged to earnings to bring the total allowance for loan losses to a level considered appropriate by management based on historical experience, the volume and type of lending conducted by the Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Bank's market areas and other factors related to the collectibility of the Bank's loan portfolio. Management elected to record a provision for losses on loans totaling $458,000 for the nine months ended September 30, 2001, an increase of $27,000, or 6.3%, over the comparable period in 2000. The current period provision generally reflects the increase in the level of nonperforming loans during 2001. There can be no assurance that the allowance for loan losses will be adequate to cover losses on nonperforming loans in the future.

Comparison of Results of Operations for the Nine Months Ended September 30, 2001 and 2000 (continued)

Other Income

Other income totaled $4.8 million for the nine months ended September 30, 2001, an increase of $630,000, or 15.0%, over the comparable 2000 period. The increase in other income was primarily attributable to a $1.1 million, or 72.8%, increase in gain on sale of loans, an increase of $561,000, or 36.8%, in late charges, rent and other and a $120,000, or 22.6%, increase in service charges and fees on deposits, which were substantially offset by a decrease of $1.3 million in loan servicing fees. The increase in gain on sale of loans was due to the 51.9% increase in sales volume, as a result of the demand for fixed-rate loans in the declining interest rate environment. The increase in late charges, rent and other was due primarily to an increase in income at Camco's title insurance agency subsidiary, as well as increases in insurance and other transaction fees year to year. The decrease in loan servicing fees was primarily due to a $1.4 million charge related to the mortgage servicing rights asset, based upon the Corporation's ongoing fair value analysis of the mortgage servicing rights asset.

General, Administrative and Other Expense

General, administrative and other expense totaled $15.1 million for the nine months ended September 30, 2001, an increase of $280,000, or 1.9%, over the comparable period in 2000. Exclusive of a $1.1 million restructuring charge, general, administrative and other expense would have totaled $14.0 million, a decrease of $808,000, or 5.5%, for the nine months ended September 30, 2001, compared to the nine months ended September 30, 2000. Exclusive of the restructuring charge, employee compensation and benefits decreased by $1.0 million, or 15.2%, and advertising decreased by $22,000, or 3.9%, which were partially offset by an increase in occupancy and equipment of $95,000, or 4.2%, an increase in data processing of $60,000, or 6.0%, and an increase in other operating expenses of $64,000, or 2.1%. The decrease in employee compensation and benefits was primarily attributable to a decrease in staffing levels due to employee retirements, attrition, and the closing of unprofitable loan production offices. The increase in occupancy and equipment expense was due to an increase in depreciation expense period to period. Data processing expense increased over the comparable 2000 period due to costs relating to implementation of an internal wide area network and continued growth.

Federal Income Taxes

The provision for federal income taxes totaled $2.8 million for the nine months ended September 30, 2001, a decrease of $101,000, or 3.5%, from the nine months ended September 30, 2000. The Corporation's effective tax rate amounted to 31.8% and 33.7% for the nine-month periods ended September 30, 2001 and 2000, respectively. The decrease in the provision for federal income taxes was primarily attributable to refunds claimed for prior years' tax liabilities.

Comparison of Results of Operations for the Three Months Ended September 30, 2001 and 2000

General

Camco's net earnings for the three months ended September 30, 2001 totaled $2.4 million, an increase of $205,000, or 9.5%, over the $2.1 million of net earnings reported in the comparable 2000 period. The increase in earnings was primarily attributable to an increase in other income of $147,000 and a decrease in general, administrative and other expense of $212,000, which were partially offset by a decrease in net interest income of $79,000 and increases in the provision for loan losses of $14,000 and federal income tax expense of $61,000.

Net Interest Income

Total interest income for the three months ended September 30, 2001, amounted to $18.1 million, a decrease of $1.5 million, or 7.5%, compared to the three-month period ended September 30, 2000, generally reflecting the effects of the decrease in average interest-earning assets of approximately $24.8 million, or 2.5%.

Interest income on loans and mortgage-backed securities totaled $17.1 million for the three months ended September 30, 2001, a decrease of $1.6 million, or 8.7%, from the comparable 2000 period. The decrease resulted primarily from a $61.5 million, or 6.5%, decrease in the average balance outstanding year to year. Interest income on investment securities and other interest-earning assets increased by $168,000, or 21.2%, due primarily to a $36.7 million, or 80.0%, increase in the average balance outstanding year to year, partially offset by a decrease in the yield of 48 basis points, from 5.13% to 4.65% for the three-month periods ended September 30, 2001 and 2000, respectively.

Interest expense on deposits increased by $113,000, or 1.5%, to a total of $7.7 million for the three months ended September 30, 2001, due primarily to a $50.2 million, or 8.3%, increase in average deposits outstanding, partially offset by a 32 basis point decrease in the average cost of deposits, to 4.71% in the current quarter. Interest expense on borrowings totaled $4.1 million for the three months ended September 30, 2001, a decrease of $1.5 million, or 26.8%, from the 2000 three-month period. The decrease resulted primarily from a $76.3 million, or 22.3%, decrease in the average balance outstanding year to year.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased by $79,000, or 1.2%, to a total of $6.3 million for the three months ended September 30, 2001. The interest rate spread increased to approximately 2.33% at September 30, 2001, from 2.29% at September 30, 2000, while the net interest margin increased to approximately 2.58% for the three months ended September 30, 2001, compared to 2.55% for the 2000 period.

Comparison of Results of Operations for the Three Months Ended September 30, 2001 and 2000 (continued)

Provision for Losses on Loans

As a result of an analysis of 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, management elected to record a provision for losses on loans totaling $152,000 for the three months ended September 30, 2001, an increase of $14,000, or 10.1%, over the comparable period in 2000. The current period provision was predicated primarily on the increase in the level of nonperforming loans. There can be no assurance that the allowance for loan losses will be adequate to cover losses on nonperforming assets in the future.

Other Income

Other income totaled $1.9 million for the three months ended September 30, 2001, an increase of $147,000, or 8.3%, over the comparable 2000 period. The increase in other income was primarily attributable to a $216,000, or 22.8%, increase in gain on sale of loans, an increase of $212,000, or 40.2%, in late charges, rent and other and a $39,000, or 20.7%, increase in service charges and fees on deposits, which were partially offset by a decrease of $385,000 in loan servicing fees. The increase in gain on sale of loans was due to the increase in sales volume, as a result of the demand for fixed-rate loans in the declining interest rate environment. The increase in late charges, rent and other was due primarily to an increase in fees from Camco's title agency subsidiary, as well as increases in insurance fees and other fees on loans and deposits transactions. The decrease in loan servicing fees was primarily due to a $590,000 charge related to the mortgage servicing rights asset. This charge was based upon the Corporation's ongoing fair value analysis of the mortgage servicing rights asset.

General, Administrative and Other Expense

General, administrative and other expense totaled $4.6 million for the three months ended September 30, 2001, a decrease of $212,000, or 4.4%, from the comparable period in 2000. Employee compensation and benefits decreased by $279,000, or 12.8%, partially offset by an increase of $19,000, or 2.5%, in occupancy and equipment and a $27,000, or 10.3%, increase in franchise taxes. The decrease in employee compensation and benefits was primarily attributable to a decrease in staffing levels due to employee retirements and attrition. The increase in occupancy expense was due to an increase in depreciation expense period-to-period.

Comparison of Results of Operations for the Three Months Ended September 30, 2001 and 2000 (continued)

Federal Income Taxes

The provision for federal income taxes totaled $1.1 million for the three months ended September 30, 2001, an increase of $61,000, or 5.7%, compared to the three months ended September 30, 2000. This increase was primarily attributable to a $266,000, or 8.3%, increase in pre-tax earnings, which was partially offset by refunds claimed of prior years' tax liabilities. The Corporation's effective tax rate amounted to 32.3% and 33.1% for the three-month periods ended September 30, 2001 and 2000, respectively.

Quantitative and Qualitative Disclosures about Market Risk

There has been no material change in the Corporation's market risk since the Corporation's Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2000.

Business Combination

In June 2001, Camco and Columbia Financial of Kentucky, Inc. ("Columbia Financial") announced the signing of a definitive agreement for Camco to acquire Columbia Financial. Columbia Financial's community bank subsidiary, Columbia Federal Savings Bank, will merge into Camco's Advantage Bank subsidiary and operate as a division of the Bank under the name Columbia Savings Bank.

The agreement provides for Columbia Financial shareholders to receive .3681 share of Camco common stock and $6.90 cash for each Columbia Financial share, subject to various closing conditions. The initial transaction value was approximately $30.2 million on a fully-diluted basis.

The merger, which will be accounted for as a purchase, is expected to be consummated in November 2001.

At March 31, 2001, Columbia Financial reported assets of $108.4 million, deposits of $78.5 million and tangible equity of $29.1 million. Columbia Financial is headquartered in Fort Mitchell, Kentucky and Columbia Federal Savings Bank has community banking offices in Fort Mitchell, Covington, Crescent Springs, Erlanger and Florence, Kentucky.

Camco Financial Corporation
PART II

ITEM 1. Legal Proceedings

Not applicable

ITEM 2. Changes in Securities and Use of Proceeds

None

ITEM 3. Defaults Upon Senior Securities

Not applicable

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

None

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

15	Independent Accountants' Report

(b) Reports on Form 8-K: None.

SIGNATURES

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

Date: November 14, 2001	By: /s/Richard C. Baylor
	Richard C. Baylor Chief Executive Officer
Date: November 14, 2001	By: /s/Kristina K. Tipton
	Kristina K. Tipton Controller