CAMCO FINANCIAL CORP
Form 10-Q
May 11, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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)**

814 Wheeling Avenue, Cambridge, Ohio 43725-9757

(Address of principal executive offices) (Zip Code)

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

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

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

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

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

As of May 10, 2012, the latest practicable date, 7,468,087 shares of the registrant s common stock, $1.00 par value, were outstanding.

Camco Financial Corporation

INDEX

		Page
PART I - FINANCIAL INFORMATION		
Item 1.	Consolidated Statements of Financial Condition	3
	Consolidated Statements of Earnings	4
	Consolidated Statements of Comprehensive Income	5
	Consolidated Statements of Cash Flows	6
	Notes to Consolidated Financial Statements	8
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4.	Controls and Procedures	34
PART II - OTHER INFORMATION		34
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3.	Defaults Upon Senior Securities	35
Item 4.	Mine Safety Disclosures	35
Item 5.	Other Information	35
Item 6.	Exhibits	36
SIGNATURES		37

Item 1. Financial Statements

Camco Financial Corporation

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash and due from banks	$ 15,803	$ 16,420
Interest-bearing deposits in other financial institutions	24,628	21,954
Cash and cash equivalents	40,431	38,374
Securities available for sale, at market	59,828	17,845
Securities held to maturity, at cost	3,006	3,083
Loans held for sale at lower of cost or fair value	5,583	8,090
Loans receivable net	615,170	639,177
Office premises and equipment net	8,529	8,645
Real estate acquired through foreclosure	12,608	10,888
Federal Home Loan Bank stock at cost	9,888	9,888
Accrued interest receivable	2,809	2,945
Mortgage servicing rights at lower of cost or market	3,365	3,263
Prepaid expenses and other assets	4,883	4,927
Cash surrender value of life insurance	20,067	19,893
Total assets	$ **786,167**	$ **767,018**
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	$ 650,853	$ 629,259
Other Borrowings	14,410	16,681
Advances from the Federal Home Loan Bank	63,519	63,604
Advances by borrowers for taxes and insurance	1,381	2,100
Accounts payable and accrued liabilities	9,895	9,769
Total liabilities	740,058	721,413
Commitments		
Stockholders equity:		
Preferred stock $1 par value; authorized 100,000 shares; no shares outstanding		
Common stock $1 par value; authorized 29,900,000 shares; 9,147,000 and 8,884,508 shares issued at March 31, 2012 and December 31, 2011 respectively	9,147	8,885
Unearned compensation	(523)	(31)
Additional paid-in capital	60,922	60,528
Retained earnings	763	350
Accumulated other comprehensive income (loss) net of related tax effects	(86)	(13)
Treasury stock 1,678,913 shares at March 31, 2012 and December 31, 2011, at cost	(24,114)	(24,114)
Total stockholders equity	46,109	45,605
Total liabilities and stockholders equity	$ **786,167**	$ **767,018**

Camco Financial Corporation

CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended March 31,

(In thousands, except per share data)

	2012	2011
	(unaudited)	
Interest and dividend income		
Loans	$ 8,213	$ 8,901
Investment securities	87	355
Other interest-earning accounts	113	346
Total interest and dividend income	8,413	9,602
Interest Expense		
Deposits	1,551	2,189
Borrowings	673	803
Total interest expense	2,224	2,992
Net interest income	6,189	6,610
Provision for losses on loans	1,005	1,013
Net interest income after provision for losses on loans	5,184	5,597
Other income		
Late charges, rent and other	328	362
Loan servicing fees	281	307
Service charges and other fees on deposits	490	503
Gain on sale of loans	564	30
Mortgage servicing rights net	102	271
Gain on sale of investments		1,278
Loss on sale of fixed assets	(3)	
Income on cash surrender value life	218	217
Total other income	1,980	2,968
General, administrative and other expenses		
Employee compensation and benefits	3,147	3,378
Occupancy and equipment	711	761
Federal deposit insurance premiums	454	545
Data processing	286	284
Advertising	87	86
Franchise taxes	183	170
Postage, supplies and office expenses	256	218
Travel, training and insurance	50	122
Professional services	538	382
Transaction processing	192	168
Real estate owned and other expenses	647	830
Loan expenses	163	421
Total general, administrative and other expense	6,714	7,365
Earnings before federal income taxes	450	1,200
Federal income taxes	37	548

NET EARNINGS	**$ 413**	**$ 652**
EARNINGS PER SHARE		
Basic	**$ .06**	**$ .09**
Diluted	**$ .06**	**$ .09**

Camco Financial Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31,

(In thousands)

	2012	2011
	(unaudited)	
Net earnings	$ 413	$ 652
Other comprehensive income, net of tax:		
Unrealized holding gains (losses) on securities during the period, net of tax effects of $25 and $(114) in 2012 and 2011, respectively	(48)	221
Reclassification adjustment for realized gains included in net earnings, net of taxes of $(435) in 2011		(1,278)
Comprehensive income (loss)	**$ 365**	**$ (405)**

Camco Financial Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,

(In thousands)

	2012	2011
Cash flows from operating activities:	(unaudited)	
Net earnings for the period	$ 413	$ 652
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Amortization of deferred loan origination fees	(70)	(39)
Amortization of premiums and discounts on investment and mortgage-backed securities net	10	4
Amortization of mortgage servicing rights net	70	(304)
Depreciation and amortization	327	313
Provision for losses on loans	1,005	1,013
Stock option expense	29	158
Provisions for losses on REO	100	216
Gain on sale of real estate acquired through foreclosure		(24)
Restricted shares / unearned compensation	135	39
Gain on sale of investments		(1,278)
Gain on sale of loans	(564)	(30)
Loss on sale of assets	3	
Loans originated for sale in the secondary market	(23,711)	(20,346)
Proceeds from sale of loans in the secondary market	26,782	21,397
Net increase in cash surrender value of life insurance	(174)	(174)
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	136	303
Prepaid expenses and other assets	82	(1,516)
Accrued interest and other liabilities	126	(1,199)
Net cash (used in) operating activities	4,699	(815)
Cash flows provided by (used in) investing activities:		
Principal repayments, maturities on securities held to maturity	76	143
Principal repayments, maturities on securities available for sale	2,858	2,435
Purchases of investment securities designated as available for sale	(44,961)	(12,615)
Proceeds from sale of investments		27,209
Redemption of FHLB Stock		20,000
Loan principal repayments	68,498	44,735
Loan disbursements and purchased loans	(47,721)	(27,225)
Proceeds from sale of office premises and equipment	19	
Additions to office premises and equipment	(233)	(52)
Proceeds from sale of real estate acquired through foreclosure	303	896
Net cash provided by (used in) investing activities	(21,161)	55,526
Net cash provided by (used in) operating and investing activities balance carried forward	(16,462)	54,711

Camco Financial Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the three months ended March 31,

(In thousands)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2012	2011
	(unaudited)	
Net cash provided by (used in) operating and investing activities (balance brought forward)	$ (16,462)	$ 54,711
Cash flows used in financing activities:		
Net increase in deposits	21,594	3,781
Proceeds from Federal Home Loan Bank advances and other borrowings	26,537	20,221
Repayment of Federal Home Loan Bank advances and other borrowings	(28,893)	(45,010)
Decrease in advances by borrowers for taxes and insurance	(719)	(1,040)
Net cash provided by (used in) financing activities	18,519	(22,048)
Increase in cash and cash equivalents	2,057	32,663
Cash and cash equivalents at beginning of period	38,374	29,114
Cash and cash equivalents at end of period	**$ 40,431**	**$ 61,777**
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits and borrowings	$ 2,187	$ 2,967
Income taxes paid		
Transfers from loans to real estate acquired through foreclosure	2,123	1,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Basis of Presentation

1. Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America (US GAAP). Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Camco Financial Corporation (Camco or the Corporation) included in Camco s Annual Report on Form 10-K for the year ended December 31, 2011. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three-month period ended March 2012, are not necessarily indicative of the results which may be expected for the entire year.

Principles of Consolidation

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Camco and its wholly-owned subsidiary, Advantage Bank (Advantage or the Bank). All significant intercompany balances and transactions have been eliminated.

On March 31, 2011, Camco Financial Corporation dissolved Camco Title Agency, Inc. and sold certain of its assets to a third party. The balance sheet and results of operations of Camco Title were not material to the Corporation s consolidated financial statements. For the three months ended March 31, 2011, Camco Title s operations resulted in net income of $15,000.

Critical Accounting Policies

3. Critical Accounting Policies

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

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

Summary

We believe the accounting estimates related to the allowance for loan losses, the capitalization, amortization, and valuation of mortgage servicing rights, deferred income taxes and other real estate owned are critical accounting estimates because: (1) the estimates are highly susceptible to change from period to period because they require us 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.

Allowance for Loan Losses

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

Each quarter, management analyzes the adequacy of the allowance for loan losses based on review of the loans in the portfolio along with an analysis of external factors (including current housing price depreciation, homeowners loss of equity, etc.) and historical delinquency and loss trends. The allowance is developed through specific components: 1) the specific allowance for loans subject to individual analysis, 2) the allowance for classified loans not otherwise subject to individual analysis and 3) the allowance for non-classified loans (primarily homogenous).

Classified loans with indication or acknowledgment of deterioration are subject to individual analysis. Loan classifications are those used by regulators consisting of Special Mention, Substandard, Doubtful and Loss. In evaluating these loans for impairment, the measure of expected loss is based on the present value of the expected future cash flows discounted at the loan s effective interest rate, a loan s observable market price or the fair value of the collateral if the loan is collateral dependent. All other classified assets and non-classified assets are combined with the homogenous loan pools and segregated into loan segments. The segmentation is based on grouping loans with similar risk characteristics (one-to-four family, home equity, etc.). Loss rate factors are developed for each loan segment which is used to estimate losses and determine an allowance. The loss factors for each segment are derived from historical delinquency, classification, and charge-off rates and adjusted for economic factors and an estimated loss scenario.

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

Mortgage Servicing Rights

To determine the fair value of its mortgage servicing rights (MSRs) each reporting quarter, the Corporation provides information to a third party valuation firm, representing loan information in each pooling period accompanied by escrow amounts. The third party then evaluates the possible impairment of MSRs as described below.

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

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 net interest earned on escrow balances, which is supplied by management, takes into consideration the investment portfolio average yield as well as current short duration investment yields. Management believes this methodology provides a reasonable estimate. Mortgage loan prepayment speeds are calculated by the third party provider utilizing the Economic Outlook as published by the Office of Chief Economist of Freddie Mac in estimating prepayment speeds and provides a specific scenario with each evaluation. Based on the assumptions discussed, pre-tax projections are prepared for each pool of loans serviced. These earnings are used to calculate the approximate 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 MSRs are marked to lower of amortized cost or fair value for the current quarter.

Deferred Income Taxes

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

Income tax returns are subject to audit by the IRS. Income tax expense for current and prior periods is subject to adjustment based upon the outcome of such audits. During 2011, the IRS began an examination of the Corporation s tax returns for the year ended December 31, 2009. Accrual of income taxes payable and valuation allowances against deferred tax assets are estimates subject to change based upon the outcome of future events.

Other Real Estate

Assets acquired through or instead of foreclosure, primarily other real estate owned, are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. New real estate appraisals are generally obtained at the time of foreclosure and are used to establish fair value. If fair value declines, a valuation allowance is recorded through expense. Estimating the initial and ongoing fair value of these properties involves a number of factors and judgments including holding time, costs to complete, holding costs, discount rate, absorption and other factors.

Earnings Per Share

4. Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the year. Diluted earnings per common share is computed including the dilutive effect of additional potential common shares issuable under outstanding stock options. Diluted earnings per share is not computed for periods in which an operating loss is sustained. The computations were as follows for the periods ended March 31:

	For the three months ended March 31,	
	2012	**2011**
	(In thousands)	
BASIC:		
Net Earnings	$ 413	$ 652
Weighted average common shares outstanding	7,220	7,206
Basic earnings per share	**$ 0.06**	**$ 0.09**
DILUTED:		
Net Earnings	$ 413	$ 652
Weighted average common shares outstanding	7,220	7,206
Dilutive effect of stock options		
Total common shares and dilutive potential common shares	7,220	7,206
Diluted earnings per share	**$ 0.06**	**$ 0.09**

Anti-dilutive options to purchase 581,666 and 606,241 shares of common stock with respective weighted-average exercise prices of $4.71 and $4.95 were outstanding at March 31, 2012 and 2011, respectively, but were excluded from the computation of common share equivalents for

each of the three month periods, because the exercise prices were greater than the average market price of the common shares.

Stock Based Compensation

5. Stock Based Compensation

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

The fair value of each option grant is estimated on the date of grant using the modified Black-Scholes options-pricing model. The following table details the fair value and assumptions used to value stock options as of the grant date that were granted during the three months ended March 31, 2011:

	2011
Fair value, calculated	$ 1.50
Exercise Price	$ 2.15
Risk-free interest rate	3.58%
Expected stock price volatility	57.30%
Expected dividend yield	
Expected Life	10 years

In 2012 no options were granted as the Corporation awarded restricted shares in lieu of options related to goals achieved within the 2011 officer incentive plan.

A summary of the status of the Corporation s stock option plans as of March 31, 2012 and December 31, 2011, and changes during the periods ending on those dates is presented below:

	Three Months ended March 31, 2012		Year ended December 31, 2011	
	Shares	**Weighted-average exercise price**	**Shares**	**Weighted-average exercise price**
Outstanding at beginning of period	587,342	$ 4.68	463,642	$ 5.84
Granted			161,538	2.14
Exercised				
Forfeited	(676)	2.34	(29,338)	7.03
Expired			(8,500)	11.93
Outstanding at end of period	**586,666**	**$ 4.68**	**587,342**	**$ 4.68**
Options exercisable at period end	**399,799**	**$ 5.78**	**317,467**	**$ 6.58**
Weighted-average fair value of options granted during the period		**$**		**$ 1.49**

The following information applies to options outstanding at March 31, 2012:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price

$1.90 - $2.51	471,652	8.1	$	2.39	284,785	$ 2.42
$8.92	19,260	5.8		8.92	19,260	8.92
$11.36 - $14.16	45,879	4.1		13.70	45,879	13.70
$16.13 - $17.17	49,875	2.1		16.44	49,875	16.44
	586,666	7.2	$	4.68	399,799	$ 5.78

In 2009 the Company granted 50,000 restricted shares of stock out of the current authorized common stock related to an employment agreement. The issuance of restricted stock vests in four equal increments beginning in 2010.

In March 2012 the Company granted 262,500 shares of restricted stock awards with an impact to unearned/deferred compensation of $625,000 and additional paid in capital of $362,500. The stock was granted under the Camco Financial Corporation 2010 Equity Plan to officers within the Company based on 2011 performance. The restrictions on the shares granted generally lapse after vested one year. The grant date fair value per share of restricted stock is the stock price at close on grant date, which is expensed on a straight-line basis as the vesting period is obtained. The shares represented by restricted stock awards are considered outstanding at the grant date, as the recipients are entitled to voting rights and dividends if declared. A summary of restricted stock award activity for the period is presented below:

	Non-vested Number of Shares	Weighted Average Grant Date Fair Value	
Non-vested balance at January 1, 2011	37,500	$	2.50
Vested	(12,500)		2.50
Non-vested balance at December 31, 2011	25,000	$	2.50
Granted	262,492		2.38
Vested	(64,979)		2.40
Non-vested balance at March 31, 2012	222,513	$	2.39

At March 31, 2012, there was approximately $523,000 of compensation cost that has not yet been recognized related to restricted stock awards. That cost is expected to be recognized over a remaining period of two years.

Fair Value

6. Fair Value

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

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

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

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

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

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

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

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

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

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

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

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

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

Commitments to Extend Credit: For fixed-rate and adjustable-rate loan commitments, the fair value estimate considers the difference between current levels of interest rates and committed rates. At December 31, 2011 and 2010, the fair value of loan commitments was not material.

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

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

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

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

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

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

	Carrying value	Fair value	Level 1	Level 2	Level 3
			(In thousands)		
Financial assets					
Cash and cash equivalents	$ 40,431	$ 40,431	$ 40,431	$	$
Investment securities available for sale	59,828	59,828		59,777	51
Investment securities held to maturity	3,006	3,062		3,062	
Loans held for sale	5,583	5,702		5,702	
Loans receivable	615,170	623,313			623,313
Federal Home Loan Bank stock	9,888	9,888			9,888
Accrued interest receivable	2,809	2,809	2,809		
Financial liabilities					
Deposits	$ 650,853	$ 642,333	$ 65,901	$	$ 576,432
Advances from the Federal Home Loan Bank	63,519	67,480			67,480
Repurchase agreements	9,410	9,410			9,410
Subordinated debentures	5,000	4,928			4,928
Advances by borrowers for taxes and insurance	1,381	1,381	1,381		
Accrued interest payable	1,730	1,730	1,730		

(in thousands)	December 31, 2011 Carrying value	Fair value
Financial assets		
Cash and cash equivalents	$ 38,374	$ 38,374
Investment securities available for sale	17,845	17,845
Investment securities held to maturity	3,083	3,135
Loans held for sale	8,090	8,250
Loans receivable	639,177	639,477
Federal Home Loan Bank stock	9,888	9,888
Accrued interest receivable	2,945	2,945
Financial liabilities		
Deposits	$ 629,259	$ 623,145
Advances from the Federal Home Loan Bank	63,604	67,951
Repurchase agreements	11,681	11,681
Subordinated debentures	5,000	4,928
Advances by borrowers for taxes and insurance	2,100	2,100
Accrued interest payable	1,693	1,693

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

		Fair Value Measurements at Reporting Date Using		
(in thousands)	Balance	Level 1	Level 2	Level 3
March 31, 2012				
Securities available for sale:				
U.S. government sponsored enterprises	$ 58,355	$	$ 58,355	$
Corporate equity securities	51			51
Mortgage-backed securities	1,422		1,422	
December 31, 2011				
Securities available for sale:				
U.S. government sponsored enterprises	$ 16,292	$	$ 16,292	$
Corporate equity securities	52			52

Mortgage-backed securities	1,501	1,501

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

		Fair Value Measurements at Reporting Date Using		
(in thousands)	Balance	Level 1	Level 2	Level 3
March 31, 2012				
Impaired loans	$ 22,014	$	$	$ 22,014
Real estate acquired through foreclosure	12,608			12,608
December 31, 2011				
Impaired loans	$ 22,956			$ 22,956
Real estate acquired through foreclosure	10,888			10,888

Impaired loans are measured and reported at fair value when management believes collection of contractual interest and principal payments is doubtful. Management s determination of the fair value for these loans represents the estimated net proceeds to be received from the sale of the collateral based on observable market prices and market value provided by independent, licensed or certified appraisers.

Fair value for real estate acquired through foreclosure is generally determined by obtaining recent appraisals on the properties. Other types of valuing include broker price opinions and valuations pertaining to the current and anticipated deterioration in the regional economy and real estate market, as evidenced by, among other things, changes in the local population, unemployment rates, increasing vacancy rates, borrower delinquencies, declining property values and rental prices, differences between foreclosure appraisals and real estate owned sales prices, and an increase in concessions and other forms of discounting or other items approved by our asset classification committee. The fair value under such appraisals is determined by using one of the following valuation techniques: income, cost or comparable sales. The fair value is then reduced by management s estimate for the direct costs expected to be incurred in order to sell the property. Holding costs or maintenance expenses are recorded as period costs when occurred and are not included in the fair value estimate.

Allowance for Loan Losses

7. Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision which is charged to expense and represents management s best estimate of probable losses that could be incurred within the existing portfolio of loans. The allowance is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Corporation s allowance for possible loan loss methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The provision for possible loan losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The amount of the provision reflects not only the necessary allowance for possible loan losses related to newly identified criticized loans, but it also reflects actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Corporation s control, including, among other things, changes in market interest rates and other factors in the local economies that we serve, such as unemployment rates and real estate market values.

The Corporation s allowance for possible loan losses consists of three elements: (i) specific valuation allowances on probable losses on specific loans; (ii) historical valuation allowances based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) general valuation allowances based on general economic conditions and other qualitative risk factors both internal and external to the Corporation.

Loans identified as losses by management are charged-off. Furthermore, consumer loan accounts are charged-off automatically based on regulatory requirements.

Allowance for loan losses as of March 31, 2012 and 2011 are summarized as follows:

(in thousands)	Construction	Consumer	Multi-Family	Land, Farm & Ag Loans	Residential	Commercial & Non-Residential	Commercial and Industrial	Total
Allowance for credit losses:								
Beginning balance December 31, 2011	$ 35	$ 80	$ 2,484	$ 554	$ 8,277	$ 2,565	$ 537	$ 14,532
Charge-offs			(11)		(634)		(46)	(691)
Recoveries			8	1	50	10	39	108
Provision	393	(32)	(933)	488	(727)	1,781	35	1,005
Ending balance March 31, 2012	$ 428	$ 48	$ 1,548	$ 1,043	$ 6,966	$ 4,356	$ 565	$ 14,954
Beginning balance December 31, 2010	$ 166	$ 246	$ 2,860	$ 849	$ 8,050	$ 3,638	$ 1,061	$ 16,870
Charge-offs		(2)			(710)	(266)	(9)	(987)
Recoveries		1	6	195	135	88	89	514
Provision	(2)	33	(511)	(262)	487	1,968	(700)	1,013
Ending balance March 31, 2011	$ 164	$ 278	$ 2,355	$ 782	$ 7,962	$ 5,428	$ 441	$ 17,410

Allocation of the allowance for loan loss by segment to loans individually and collectively evaluated for impairment as follows:

At March 31, 2012 (in thousands)	Construction	Consumer	Multi-Family	Land, Farm & Ag Loans	Residential	Commercial & Non-Residential	Commercial and Industrial	Total
Individually evaluated for impairment	$ 4	$ 12	$ 412	$ 373	$ 424	$ 395	$ 27	$ 1,647
Collectively evaluated for impairment	$ 424	$ 36	$ 1,136	$ 670	$ 6,542	$ 3,961	$ 538	$ 13,307
Portfolio balances:								
Collectively evaluated for impairment	$ 23,155	$ 3,410	$ 77,000	$ 12,686	$ 297,467	$ 157,537	$ 37,208	$ 608,463
Individually evaluated for impairment								
With no related allowance					788	887	107	1,782
With related allowance	18	123	4,611	1,197	9,012	6,538	380	21,879
Ending balance	$ 23,173	$ 3,533	$ 81,611	$ 13,883	$ 306,267	$ 163,962	$ 37,695	$ 630,124

At December 31, 2011 (in thousands)	Construction	Consumer	Multi-Family	Land, Farm & Ag Loans	Residential	Commercial & Non-Residential	Commercial and Industrial	Total
Individually evaluated for impairment	$ 3	$ 41	$ 426	$ 208	$ 720	$ 335	$ 27	$ 1,760
Collectively evaluated for impairment	$ 32	$ 39	$ 2,058	$ 346	$ 7,557	$ 2,230	$ 510	$ 12,772
Portfolio balances:								
	$ 23,857	$ 3,402	$ 83,246	$ 16,619	$ 307,057	$ 156,457	$ 38,355	$ 628,993

Collectively evaluated for impairment								
Individually evaluated for impairment								
With no related allowance			51		1,945	695	112	2,803
With related allowance	19	128	4,633	1,203	8,922	6,612	396	21,913
Ending balance	$ 23,876	$ 3,530	$ 87,930	$ 17,822	$ 317,924	$ 163,764	$ 38,863	$ 653,709

Non-accrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when the loan is more than three payments past due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is recognized when the loan is returned to accrual status and all the principal and interest amounts contractually due are brought current (minimum of six months), or future payments are reasonably assured. Future payments interest income will be recognized while the previous payments of interest (during non-accrual status) will not be recognized until payoff or refinance.

The following table details non-accrual loans at March 31, 2012 and December 31, 2011:

(in thousands)	Non-Accrual March 31, 2012	Non-Accrual December 31, 2011
Construction	$ 18	$ 19
Land, Farmland, Ag Loans	1,384	367
Residential	20,793	22,277
Commercial	1,830	1,879
Consumer	169	113
Commercial and industrial	160	212
Multi Family		51
Total	$ 24,354	$ 24,918

An age analysis of past due loans, segregated by class of loans were as follows:

March 31, 2012 (in thousands)	Loans 30-59 Days Past Due	Loans 60 - 89 or More Days Past Due	Loans 90+ Days Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 Days Past Due
Construction	$	$	$	$	$ 23,173	$ 23,173	$
Land, Farmland, Ag Loans	1,056	69	136	1,261	12,622	13,883	
Residential / prime	1,478	1,146	7,530	10,154	234,021	244,175	
Residential / subprime	2,241	1,319	6,016	9,576	52,516	62,092	
Commercial	130		1,225	1,355	162,607	163,962	467
Consumer	6	6	83	95	3,438	3,533	
Commercial and industrial		52	107	159	37,536	37,695	
Multi Family					81,611	81,611	
Total	$ 4,911	$ 2,592	$ 15,097	$ 22,600	$ 607,524	$ 630,124	$ 467

December 31, 2011 (in thousands)	Loans 30-59 Days Past Due	Loans 60 - 89 or More Days Past Due	Loans 90+ Days Past Due	Total Past Due	Current	Total Loans	Accruing Loans 90 Days Past Due
Construction	$	$	$	$	$ 23,876	$ 23,876	$
Land, Farmland, Ag Loans	103		136	239	17,583	17,822	
Residential / prime	638	269	4,139	5,046	235,502	240,548	
Residential / subprime	5,380	1,818	9,499	16,697	60,679	77,376	
Commercial	462	527	638	1,627	162,137	163,764	
Consumer	54	76	18	148	3,382	3,530	
Commercial and industrial	45		114	159	38,704	38,863	
Multi Family			51	51	87,879	87,930	
Total	$ 6,682	$ 2,690	$ 14,595	$ 23,967	$ 629,742	$ 653,709	$

Although we believe that the allowance for loan losses at March 31, 2012 is adequate to cover losses inherent in the loan portfolio at that date based upon the available facts and circumstances, there can be no assurance that additions to the allowance for loan losses will not be necessary in future periods, which could adversely affect our results of operations. Unemployment rates in our markets and Ohio in general, are close to

the National average, but we are still experiencing some decline in values of residential real estate. Ohio in general has experienced some decreases in home values over the past five years like many regions in the U.S., which should comparatively mitigate losses on loans. Nonetheless, these factors, compounded by a very uncertain national economic outlook, may continue to increase the level of future losses beyond our current expectations.

Impaired loans. Loans are considered impaired when, based on current information and events, it is probable Advantage will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other larger commercial credits. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, of collateral if payment is expected solely from the collateral or at the present value of estimated future cash flows using the loan s existing rate or at the loan s fair sale value. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured in which case interest is recognized on an accrual basis. Impaired loans or portions of loans are charged off when deemed uncollectible.

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

Based on policy, a loan is typically deemed impaired (non-performing) once it has gone over three payments or 90 days delinquent or is considered a modification *See* the **Modifications** section below. Our management of the troubled credit will vary as will the timing of valuations, loan loss provision and charge offs based on a multitude of factors such as, cash flow of the business/borrower, responsiveness of the borrower, communication with the commercial banker, property inspections, property deterioration, and delinquency. Typically, a nonperforming, non-homogeneous collateral dependent loan will be valued and adjusted (if needed) within a time frame as short as 30 days or as many as 180 days after determination of impairment. If impaired, the collateral is then evaluated and an updated appraisal is most typically ordered. Upon receipt of an appraisal or other valuation, we complete an analysis to determine if the impaired loan requires a specific reserve or to be charged down to estimated net realizable value. The time frame may be as short as 30 days or as much as 180 days, when an appraisal is ordered.

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

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

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

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

Camco s personnel property inspections combined with original appraisal review

County Auditor values

Broker price opinions

Various on-line fair market value estimation programs (i.e. Freddie Mac, Fannie Mae, etc).

Impaired loans are set forth in the following table:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment 3 Months Ended March 31, 2012	Interest Income Recognized 3 Months Ended March 31, 2012	Average Recorded Investment 3 Months Ended March 31, 2011	Investment Income Recognized 3 Months Ended March 31, 2011
		March 31, 2012					
With no related allowance recorded:							
Construction	$	$	$	$	$	$	$
Land, Farmland, Ag Loans						509	19
Residential	788	1,117		831		3,518	46
Commercial	887	2,011		888		123	
Consumer							
Commercial and industrial	107	114		107		36	
Multi Family		661				821	
Total	$ 1,782	$ 3,903	$	$ 1,826	$	$ 5,007	$ 65
With a related specific allowance recorded:							
Construction	$ 18	$ 18	$ 4	$ 18	$	$	$
Land, Farmland, Ag Loans	1,197	1,197	373	1,200	4	328	
Residential	9,012	9,158	424	9,049	83	2,907	3
Commercial	6,537	6,537	395	6,575	95	9,286	28
Consumer	123	138	12	125	2		
Commercial and industrial	381	382	27	389	5	66	
Multi Family	4,611	4,611	412	4,622	53	1,108	
Total	$ 21,879	$ 22,041	$ 1,647	$ 21,978	$ 242	$ 13,695	$ 31

December 31, 2011

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Construction	$	$	$	$	$
Land, Farmland, Ag Loans					
Residential	1,945	3,579		2,273	7
Commercial	695	2,015		703	27
Consumer					
Commercial and industrial	112	151		113	2
Multi Family	51	971		52	
Total	$ 2,803	$ 6,716	$	$ 3,141	$ 36
With a related specific allowance recorded:					
Construction	$ 19	$	$ 3	$	$ 1
Land, Farmland, Ag Loans	1,203	1,216	208	1,276	74
Residential	8,922	9,033	720	8,233	456
Commercial	6,612	6,612	335	4,404	358
Consumer	128	100	41	25	
Commercial and industrial	396	396	27	304	26
Multi Family	4,633	4,633	426	4,674	259
Total	$ 21,913	$ 21,990	$ 1,760	$ 18,916	$ 1,174

The Corporation categorizes loans and leases into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans and leases individually by classifying the loans and leases as to credit risk. The loans monitored utilizing the risk categories listed below refer to commercial, commercial and industrial, construction, land, farmland and agriculture loans. All non-homogeneous loans are monitored through delinquency reporting. This analysis is performed on a quarterly basis. The Corporation uses the following definitions for risk ratings:

Uncriticized Assets (Grade 1-3)
Uncriticized assets exhibit no material problems, credit deficiencies or payment problems. These assets generally are well protected by the current net worth and paying capacity of the obligor or by the value of the asset or underlying collateral. Such credits are graded as follows: Excellent (1), Good (2) or Satisfactory (3).

Watch (Grade 4)
Watch rated credits are of acceptable credit quality, but exhibit one or more characteristics which merit closer monitoring or enhanced structure. Such characteristics include higher leverage, lower debt service coverage, industry issues or a construction loan without preleasing commitments (generally multifamily projects).

Special Mention Assets (Grade 5)
Special Mention Assets have potential weaknesses or pose financial risk that deserves management s close attention. If left uncorrected, these weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank s credit position at some future date. Special Mention Assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard Assets (Grade 6)
An asset classified Substandard is protected inadequately by the current net worth and paying capacity of the obligor, or by the collateral pledged, if any. Assets so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. The possibility that liquidation would not be timely requires a substandard classification even if there is little likelihood of total loss.

Assets classified as Substandard may exhibit one or more of the following weaknesses:

The primary source of repayment is gone or severely impaired and the Bank may have to rely upon a secondary source.

Loss does not seem likely but sufficient problems have arisen to cause the Bank to go to abnormal lengths to protect its position in order to maintain a high probability of repayment.

Obligors are unable to generate enough cash flow for debt reduction.

Collateral has deteriorated.

The collateral is not subject to adequate inspection and verification of value (if the collateral is expected to be the source of repayment).

Flaws in documentation leave the Bank in a subordinated or unsecured position if the collateral is needed for the repayment of the loan.

For assets secured by real estate, the appraisal does not conform to FDIC appraisal standards or the assumptions underlying the appraisal are demonstrably incorrect.

Doubtful Assets (Grade 7)
An asset classified Doubtful has all the weaknesses inherent in one classified as Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss Assets (Grade 8)
An asset, or portion thereof, classified loss is considered uncollectible and of such little value that its continuance on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value; rather, it is not practical or desirable to defer writing off an essentially worthless asset (or portion thereof), even though partial recovery may occur in the future.

Loans and leases not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans and leases.

Based on the most recent analysis performed, the risk category of non-homogenous loans and leases is as follows:

	(Dollars in Thousands)				
March 31, 2012	**Pass**	**Watch**	**Special Mention**	**Substandard**	**Total(1)**
Construction	$ 12,600	$ 10,555	$	$ 18	$ 23,173
Land, Farmland, Ag Loans	11,975	169	286	1,453	13,883
Commercial	121,481	23,015	7,322	12,144	163,962
Commercial and industrial	32,262	4,865	317	251	37,695
Multi Family*	51,114	24,478	4,114	1,905	81,611
Total	$ 229,432	$ 63,082	$ 12,039	$ 15,771	$ 320,034

December 31, 2011	**Pass**	**Watch**	**Special Mention**	**Substandard**	**Total(1)**
Construction	$ 16,263	$ 7,594	$	$ 19	$ 23,876
Land, Farmland, Ag Loans	15,894	173	292	1,463	17,822
Commercial	129,446	17,112	4,959	12,247	163,764
Commercial and industrial	33,064	5,154	336	309	38,863
Multi Family(2)	57,353	24,470	4,138	1,969	87,930
Total	$ 252,020	$ 54,503	$ 9,725	$ 16,007	$ 332,255

Homogeneous loans are monitored at 60+ days delinquent. See the above schedule on page 16 related to change in allowance for loans which includes all class of loans including the loans related to residential and consumer.

(1) There were no doubtful loans as of March 31, 2012 or December 31, 2011.

Modifications.

A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Corporation offers various types of concessions when modifying a loan, however, forgiveness of principal is rarely granted. Commercial and industrial loans modified in a TDR often involve temporary interest-only payments, term extensions, and converting revolving credit lines to term loans. Additional collateral and/or guarantors may be requested.

Commercial mortgage and construction loans modified in a TDR often involve a temporary or permanent interest rate reduction, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, and/or substituting or adding a new borrower or guarantor. Construction loans modified in a TDR may also involve extending the interest-only payment period. Residential mortgage loans modified in a TDR are primarily comprised of loans where monthly payments are lowered to accommodate the borrowers financial needs. This is accomplished by temporary interest only payment periods, temporarily lowering the interest rate, extending the maturity date or a combination of these strategies. The accrual status of modified residential mortgages is dependent on the delinquency status before, during and after the modification process. Home equity modifications are uniquely designed to meet the specific needs of each borrower. Modified terms for home equity loans include renewal of an interest only payment stream, extending the maturity date, converting to a principal and interest payment, amortizing the balance due, or a combination of these strategies. Automobile loans are typically not modified.

Loans modified in a TDR may be in accrual status, non-accrual status, partial charge-offs, not delinquent, delinquent or any combination of these criteria. As a result, loans modified in a TDR for the Corporation may have the financial effect of increasing the specific allowance associated with individual loans. An allowance for impaired consumer and commercial loans that have been modified in a TDR is measured based either on the present value of expected future cash flows discounted at the loan s original effective interest rate, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercises significant judgment in developing these estimates.

The following presents by class, information related to loans modified in a TDR during the three months ended March 31, 2012.

Troubled Debt Restructurings [1]	Loans Modified as a TDR for the Three Months Ended March 31, 2012	
(dollars in thousands)	Number of Contracts	Recorded Investment (as of period end)
Residential prime	5	$ 247
Residential subprime	1	22
Commercial	1	300
Consumer Other	1	8
Total	8	$ 577

1 The period end balances are inclusive of all partial pay downs and charge-offs since the modification date. Loans modified in a TDR that were fully paid down, charged-off, or foreclosed upon by period end are not reported.

The following presents by class, loans modified in a TDR from April 1, 2011 through March 31, 2012 that subsequently defaulted (i.e., 60 days or more past due following a modification) during the three months ended March 31, 2012.

	Loans Modified as a TDR Within the Previous Twelve Months That Subsequently Defaulted During the Twelve Months Ended March 31, 2012	
(dollars in thousands)	Number of Contracts	Recorded Investment (as of period end) 1
Residential subprime	1	$ 102
Commercial and Industrial	1	52
Total	2	$ 154

1 The period end balances are inclusive of all partial pay downs and charge-offs since the modification date. Loans modified in a TDR that were fully paid down, charged-off, or foreclosed upon by period end are not reported.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operation

Forward Looking Statements

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and this Form 10-Q include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), as amended, which can be identified by the use of forward-looking terminology, such as may, might, could, would, believe, expect, intend, plan, seek, anticipate, estimate, project or continue or the negative thereof or comparable terminology. All statements other than statements of historical fact included in this document regarding our outlook, financial position and results of operation, liquidity, capital resources and interest rate sensitivity are forward-looking statements. These forward-looking statements also include, but are not limited to:

- anticipated changes in industry conditions created by state and federal legislation and regulations;
- anticipated changes in general interest rates and the impact of future interest rate changes on our profitability, capital adequacy and the fair value of our financial assets and liabilities;
- retention of our existing customer base and our ability to attract new customers;
- the development of new products and services and their success in the marketplace;
- the adequacy of the allowance for loan losses; and
- statements regarding our anticipated loan and deposit account growth, expense levels, liquidity and capital resources and projections of earnings.

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

- competition in the industry and markets in which we operate;
- changes in general interest rates;
- rapid changes in technology affecting the financial services industry;
- changes in government regulation; and
- general economic and business conditions

This MD&A is intended to give stockholders a more comprehensive review of the issues facing management than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the consolidated financial statements and related

footnotes and the selected financial data elsewhere in this annual report. As used herein and except as the context may otherwise require, references to Camco, the Corporation , we, us, or our means, collectively, Camco Financial Corporation and its wholly owned subsidiary, Advantage Bank, and through March 31, 2011, its formerly wholly-owned subsidiary, Camco Title Agency.

Overview

Camco is a full-service provider of financial products through its subsidiary, Advantage Bank. Products and services include traditional banking products, such as deposit accounts and lending products within Ohio, Kentucky and West Virginia. Services are provided through 22 financial offices, 20 ATMSs and telephone and internet-based banking. Brokerage services are offered exclusively through an unaffiliated registered broker-dealer at certain locations.

Summary of Recent Transactions and Events

The following is a summary of recent transactions or events that have impacted or are expected to impact Camco s results of operations or financial condition:

Since early 2009, Camco s loan quality has been negatively impacted by adverse conditions within the commercial real estate market and economy as a whole, the deterioration in the economic conditions of the country has created challenges for the Corporation, including the following:

Volatile equity markets that declined significantly

Stress on the banking industry with significant financial assistance to many financial institutions, extensive regulatory and congressional scrutiny and regulatory requirements

Low interest rate environment particularly given the government involvement in the financial markets, and

Continued high levels of unemployment nationally and in our local markets

The above factors resulted in the continued movement of loans to nonperforming status during the past few years. In addition, many of these loans are collateral dependent real estate loans that the Bank is required to write down to fair value less estimated costs to sell, with the fair values determined primarily based on third party appraisals. Beginning in 2009 and continuing through 2012, appraised values have decreased significantly. As a result, in the past few years, the Bank s evaluation of the loan portfolio and allowance for loan losses resulted in higher than normal net charge-offs and the need to record higher provision for loan losses over the past few years. The Company has made noted improvements over the past three years *See* Note *7.* Allowance Loan Losses and related tables above and note C in the 10-K for the period ending December 31, 2011.

In 2011, the Corporation took steps to improve capital ratios through the reduction of assets and borrowings. Assets were reduced through the sale of $27.2 million in investments that created a gain of $1.2 million. The Bank used the proceeds of the sale to pay $21.0 million in FHLB borrowings including a prepayment penalty of $216,000. Additionally, Camco filed a Form S-1 on July 11, 2011 for a potential rights offering with a proposed maximum aggregate offering price of $22.5 million.

The Corporation is addressing credit quality issues by directing the efforts of experienced workout specialists solely to manage the resolution of nonperforming assets. We continue to deal with the economic challenges in our markets, through our loan charge-offs and provision for loan losses as we continue to recognize the results of economic conditions and issues related to higher than normal unemployment. The real estate market continues to create a very challenging environment as bankruptcies, foreclosures and unemployment continue to be high in Ohio.

It is the Corporation s goal to remove the majority of the nonperforming assets from its balance sheet while still obtaining reasonable value for these assets. Given the current conditions in the real estate market, accomplishing this goal is a significant undertaking, requiring both time and considerable effort of staff. We believe that we are taking the appropriate steps forward in managing our classified assets. We have devoted and will continue to devote substantial management resources toward the resolution of all delinquent and non-performing assets, but no assurance can be made that management s efforts will be successful.

Net interest income, the amount by which interest income exceeds interest expense is affected by various factors, including changes in market interest rates due to the Federal Reserve Board s monetary policy, the level and degree of pricing competition for both loans and deposits in our markets and the amount and composition of earning assets and interest-bearing liabilities. We have found that core deposit growth continues to be challenging in our markets but have continued to work with commercial borrowers to build banking relationships. The extended low rate environment and increased competition for deposits continue to put pressure on marginal funding costs, despite the continuing low market rates. Earnings related to net interest income continues to be challenged as net interest income and margin are impacted by changes in market interest rates based upon actions taken by the Federal Reserve either directly or through its Open Market Committee. Between 2007 and 2008, the Federal Reserve reduced the Federal Funds rate 500 basis points to a range of 0% to .25% and reduced the Discount Rate 575 basis points to .50%. These actions have caused a downward shift in short-term market interest rates and these rates have continued at historically low levels with expectations that the rates will not increase until 2014.

Discussion of Financial Condition Changes from December 31, 2011 to March 31, 2012

At March 31, 2012, Camco s consolidated assets totaled $786.2 million, an increase of $19.1 million, or 2.5%, from December 31, 2011. The increase in total assets resulted primarily from increases in investment securities, offset partially by decreases in loans receivable and loans held for sale. Loans receivable decreased in the first quarter of 2012, primarily due to the slowing of production and continued expected payoffs which in turn decreased our concentration limits discussed in the 10K.

Advantage continues to monitor certain types of commercial loan growth related to regulatory guidance that suggests financial institutions not exceed 3x risk based capital in a concentration of commercial real estate. At March 31, 2012, Advantage s ratio for this concentration was 3.98x risk based capital, approximately $55.1 million over the guidance limitation. Advantage has a number of continued pay downs approaching throughout 2012. Additionally, Advantage continues to monitor and control our concentration exposure through our concentration management plan that was implemented in 2011. Camco also plans to raise capital which would be provided to the bank to help correct and or eliminate the exposure and concentration limits.

Residential loan production has increased slightly in the first quarter of 2012. High unemployment rates in Ohio have fallen from 10.0% in 2010 to 8.1% at the end of 2011, this coupled with a slight decrease in loan rates in the 1st quarter of 2012 has resulted in some new residential home loan purchases and additional refinancing in the first quarter of 2012.

Management s continued focus at the Bank has been on managing credit, reducing risk and concentrations within the loan portfolio and maintaining sufficient liquidity and capital in a distressed economic environment. Continuous progress is being made on addressing these issues, but we expect the distressed economic environment to continue through 2012 and into 2013.

Cash and interest-bearing deposits in other financial institutions totaled $40.4 million at March 31, 2012, an increase of $2.1 million, or 5.4%, from December 31, 2011. Cash has been held at higher levels as we continue to restructure the balance sheet by decreasing assets and liabilities when possible to improve our capital position in conjunction with ensuring that liquidity is also adequate

As of March 31, 2012, securities totaled $62.8 million, an increase of $41.9 million, or 200.2%, from December 31, 2011, due to the purchase of $45.0 million in securities at a weighted rate of .47%, offset partially by principal repayments and maturities of $2.9 million. A decrease of $23.6 million in the loan portfolio and an increase of $21.6 million in deposits has created additional liquidity that was utilized to purchase securities.

Loans receivable, including loans held for sale, totaled $620.8 million at March 31, 2012, a decrease of $26.5 million, or 4.1%, from December 31, 2011. The decrease resulted primarily from principal repayments of $68.5 million, loan sales of $26.2 million and $2.2 million of loans transferred to real estate owned offset partially by loan disbursements totaling $71.4 million. Principal repayments and payoffs are higher than 2011 on loans as we continue to improve our concentration levels related to commercial production. The reduction in residential real estate loan balances was intensified by the secondary market offering historically low long-term fixed rates during the first quarter of 2012. New purchase customers are currently more likely to choose fixed rate loans during this low rate environment. Due to the fact that Advantage normally sells fixed rate loans and does not hold them, the portfolio balance of residential loans continues to decrease.

Loan originations during the three-month period ended March 31, 2012 included $39.3 million of commercial loans, $29.0 million in loans secured by one- to four-family residential real estate and $3.1 million in consumer and other loans. Our intent is to continue to service our communities in one- to four-family residential, consumer and commercial real estate lending in the future and continue with our strategic plan of generating additional lending opportunities and core relationships.

During the three months of 2012, the average yield on loans was 5.28% a decrease of 28 basis points as compared to 5.56% for the same period in 2011. The decrease in yield is due to lower average loan balances coupled with lower effective rates in the loan portfolio during 2012. As we continue to have payoffs and adjustable rate loans re-price and originate new loans at the current lower rate environment we expect the yield on loans to continue to decrease slightly in 2012.

The allowance for loan losses totaled $15.0 million and $14.5 million at March 31, 2012, and December 31, 2011, representing 61.4% and 58.3% of nonperforming loans, respectively, at those dates. Nonperforming loans (loans with three payments delinquent plus nonaccrual loans) totaled $24.4 million and $24.9 million at March 31, 2012 and December 31, 2011, respectively, constituting 3.9% and 3.8% of total net loans, including loans held for sale. See the Allowance for loan losses footnote above for additional information related to change in allowance and delinquency. Net charge-offs totaled $583,000 for the three months ended March 31, 2012.

The following table sets forth information with respect to Advantage s nonperforming assets for the periods indicated.

Loans accounted for on nonaccrual basis:

(dollars in thousands)	March 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Total nonperforming loans	$ 24,354	$ 24,918	$ 33,779	$ 36,449	$ 53,528
Other real estate owned	12,608	10,888	10,096	9,660	5,841
Total nonperforming assets	$ 36,962	$ 35,806	$ 43,875	$ 46,109	$ 59,369
Allowance for loan losses	$ 14,954	$ 14,532	$ 16,870	$ 16,099	$ 15,747
Nonperforming loans as a percent of total net loans	3.92%	3.85%	4.92%	5.40%	6.91%
Nonperforming assets to total assets	4.70%	4.67%	5.38%	5.47%	5.93%
Allowances for loan losses as a percent of nonperforming loans	61.4%	58.3%	49.9%	44.2%	29.4%
Memo section:					
Troubled debt restructurings					
Loans and leases restructured and in compliance with modified terms	$ 15,873	$ 16,095	$ 7,122	$ 16,645	$ 11,440
Loans and leases restructured and not in compliance with modified terms	$ 6,054	$ 7,161	$ 9,276	$ 4,783	$ 12,882

Nonaccrual status denotes loans greater than three payments past due, loans for which, in the opinion of management, the collection of additional interest is unlikely, or loans that meet nonaccrual criteria as established by regulatory authorities. Payments received on a nonaccrual loan are either applied to the outstanding principal balance or recorded as an asset which holds the interest income, depending on management s assessment of the collectability of the loan.

At March 31, 2012, the Corporation s other real estate owned (REO) consisted of 191 repossessed properties with a net book value of $12.6 million, an increase of $1.7 million, compared to December 31, 2011, due primarily to one large relationship. Initial loss is recorded as a charge to the allowance for loan losses. Thereafter, if there is a further deterioration in value, a specific valuation allowance is established and charged to operations. The Corporation reflects costs to carry REO as period costs. When property is acquired through foreclosure or deed in lieu of foreclosure, it is initially recorded at the fair value of the related assets at the date of foreclosure, less estimated costs to sell the property.

The Corporation works with borrowers to avoid foreclosure if possible. Furthermore, if it becomes inevitable that a borrower will not be able to retain ownership of their property, the Corporation often seeks a deed in lieu of foreclosure in order to gain control of the property earlier in the recovery process. The strategy of pursuing deeds in lieu of foreclosure more aggressively should result in a reduction in the holding period for nonperforming assets and ultimately reduce economic losses.

Deposits totaled $650.9 million at March 31, 2012, an increase of $21.6 million, or 3.4%, from the total at December 31, 2011. The following table details our deposit portfolio balances and the average rate paid on our deposit portfolio at March 31, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011		Change	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate
Noninterest-bearing demand	$ 67,573	0.00%	$ 62,881	0.00%	$ 4,692	0.00%
Interest-bearing demand	71,656	0.17	64,213	0.18	7,443	(0.01)
Money market	119,658	0.41	114,503	0.45	5,155	(0.04)
Savings	47,908	0.10	42,417	0.10	5,491	0.00
Certificates of deposit retail	344,058	1.55	345,245	1.65	(1,187)	(0.10)
Total deposits	$ 650,853	0.92%	$ 629,259	1.01%	$ 21,594	(0.09)%

The decrease in certificates of deposits was primarily due to decreases in non-core customers (only certificate of deposit account). We continue to focus and implement our strategy of improving the long-term funding mix of the Bank s deposit portfolio by developing core relationships with customers within our communities, small businesses and adding commercial and retail checking accounts. The Corporation is focused on its collection of core deposits. Core deposit balances, generated from customers throughout the Bank s branch network, are generally a stable source of funds similar to long-term funding, but core deposits such as checking and savings accounts are typically less costly than alternative fixed-rate funding. The Corporation believes that this cost advantage makes core deposits a superior funding source, in addition to providing cross-selling opportunities and fee income possibilities. To the extent the Bank is able to grow its core deposits and continues to pay down borrowings and higher cost funds such as certificates of deposits, the cost related to these liabilities should decrease.

In 2010, we implemented a number of organizational and product development initiatives including a new suite of commercial and small business checking accounts, enhancements to our online business cash management system, and the launch of remote deposit capture solution. We believe these products will continue to help us be more competitive for business checking accounts. Additionally, in 2011 we implemented paperless statements which are less costly to the Bank, more efficient for many customers, and strategically add convenience products to enhance our banking products with current technology.

Effective January 1, 2010, interest rates paid by Advantage on deposits became subject to limitations as a result of a consent order Advantage entered into with the FDIC and Ohio Division of Financial Institutions in July 2009 (Consent Order). Deposits solicited by the Bank cannot significantly exceed the prevailing rates in our market areas. The FDIC has implemented by regulation the statutory language significantly exceeds as meaning more than 75 basis points. Although the rule became effective January 1, 2010, Advantage has utilized these standards since mid-year 2009.

Advances from the FHLB and other borrowings totaled $77.9 million at March 31, 2012, a decrease of $2.4 million, or 2.9%, from the total at December 31, 2011. The decrease in borrowings was primarily due to balances in repurchase agreements which we believe is timing related to customer needs.

Stockholders equity totaled $46.1 million at March 31, 2012, an increase of $504,000, or 1.1%, from December 31, 2011. The increase resulted primarily from net earnings of $413,000 and $262,000 of restricted stock awards related to the 2011 officer incentive plan. This was partially offset by other comprehensive income related to the fair value of our investment securities in the amount of $73,000 and $393,000 of stock based compensation.

Comparison of Results of Operations for the Three Months Ended March 31, 2012 and 2011

Camco s net earnings for the three months ended March 31, 2012, totaled $413,000, a decrease of $239,000, from the net earnings of $652,000 reported in the comparable 2011 period. On a per share basis, the net earnings for the three months ended 2012 were $0.06, compared to $0.09 per share in the three months of 2011. The decrease in earnings was primarily attributable to decreased gain on sale of investments and net interest income which was offset partially by increased gain on sale of loans and decreased compensation, real estate owned and loan expenses.

Net Interest Income

Net interest income totaled $6.2 million for the three months ended March 31, 2012, a decrease of $421,000 or 6.4%, compared to the three months period ended March 31, 2011, generally reflecting the effects of a $22.6 million decrease in the average balance of interest earning assets coupled with the decrease of average yield on earning assets of 51 basis points. This was partially offset by a $49.0 million decrease in interest-bearing liabilities and a decrease of 35 basis points related to the cost of funding. Due to these changes the net interest margin decreased 13 basis points to 3.50% in 2012 compared to 3.63% of 2011.

The following table presents for the periods indicated the total dollar amount of interest income from average interest-earning assets and the resulting yields, and the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. The table does not reflect any effect of income taxes. Balances are based on the average of month-end balances which, in the opinion of management, do not differ materially from daily balances.

Three Months Ended March 31,		**2012**			**2011**	
(Dollars in thousands)	**Average outstanding balance**	**Interest earned / paid**	**Average yield/ rate**	**Average outstanding balance**	**Interest earned / paid**	**Average yield/ Rate**
Interest-earning assets:						
Loans receivable [(1)]	$ 622,459	$ 8,213	5.28%	$ 640,908	$ 8,901	5.56%
Securities	41,303	87	0.84%	29,613	355	4.80%
FHLB stock	9,888	112	4.53%	14,888	339	9.11%
Other Interest-bearing accounts	32,969	1	.01%	43,783	7	0.06%
Total interest-earning assets	706,619	8,413	4.76%	729,192	9,602	5.27%
Noninterest-earning assets [(2)]	68,022			80,613		
Total average assets	**$ 774,641**			**$ 809,805**		
Interest-bearing liabilities:						
Deposits	$ 573,826	1,551	1.08%	$ 604,208	2,189	1.45%
FHLB advances and other	78,691	673	3.42%	97,342	803	3.30%
Total interest-bearing liabilities	652,517	2,224	1.36%	701,550	2,992	1.71%
Noninterest-bearing deposits	64,970			50,613		
Noninterest-bearing liabilities	11,381			11,392		
Total average liabilities	728,868					
Total average stockholders equity	45,773			46,250		
Total liabilities and stockholders equity	**$ 774,641**			**$ 809,805**		
Net interest income/Interest rate spread		$ 6,189	3.40%		$ 6,610	3.56%
Net interest margin [(3)]			3.50%			3.63%
Average interest-earning assets to average interest-bearing liabilities			108.3%			103.94%

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

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

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

Interest income on loans totaled $8.2 million for the three months ended March 31, 2012, a decrease of $688,000, or 7.7%, from the comparable 2011 period. The decrease resulted primarily from a decrease in the average balance outstanding of $18.4 million, or 2.9%, from the comparable 2011 period. This is primarily related to slowed commercial production in the last quarter of 2011 and first quarter of 2012. This was coupled with higher loan payoffs, which were at higher rates than the new production that is being generated at our current low interest rate environment. This created a 28 basis point decrease in the average yield on loans.

Interest income on securities totaled $87,000 for the three months ended March 31, 2012, a decrease of $268,000, or 75.5%, from the first three month of 2011. The decrease was due primarily to a 396 basis point decrease in the average yield to 0.84% for the 2012 period. In early 2011 we sold investments for a gain on sale and have purchased new investments with additional cash on hand liquidity. These investments are shorter term and at current lower interest rates.

Dividend income on FHLB stock is paid a quarter in arrears. Due to our redemption of $20.0 million in January 2011, the yield was inflated for the first quarter of 2011. Therefore in the first quarter of 2011 interest was paid on $29.8 million. The current interest yield on the asset was comparable to the December 31, 2011 quarter. Interest income on other interest bearing accounts continues to be low due to higher balances needed to compensate for charges at correspondent banks, leaving less balance for interest calculation offset partially by a slight increase in rates. We will continue to deploy cash when available by paying down advances and borrowings in order to generate additional income.

Interest expense on deposits totaled $1.6 million for the three months ended March 31, 2012, a decrease of $638,000, or 29.2%, compared to the same period in 2011 due primarily to a 37 basis point decrease in the average cost of deposits to 1.08% in the current period, coupled with a $30.4 million, or 5.0%, decrease in average interest bearing deposits outstanding. While the cost of deposits was lower in 2012 compared to 2011, the cost of funds in 2012 is expected to stabilize as rates have been at low levels for the past few years. However, we will continue to re-price certificates of deposit in the current lower interest rate environment in 2012, which should decrease costs slightly if rates continue to be at the current low levels. Although, competitive pressures may limit our ability to reduce interest rates paid on deposits.

Interest expense on borrowings totaled $673,000 for the three months ended March 31, 2012, a decrease of $130,000, or 16.2%, from the same 2011 three months period. The decrease resulted primarily from a $18.7 million or 19.2% decrease in the average borrowings outstanding, offset partially by a 12 basis point increase in the average cost of borrowings to 3.42%. This increase is due to longer term FHLB advances of approximately $46.5 million at higher rates that have a weighted term of 2.6 years. Due to the high pre-payment penalties we have not made the decision to pay-down such advances.

Provision for Losses on Loans

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

Camco s loan quality has been negatively impacted by conditions within our market areas which have caused declines in real estate values and deterioration in the financial condition of some of our borrowers. These conditions have led Camco to downgrade the loan quality ratings on various loans through our loan review process. In addition, some of our loans became under-collateralized due to reductions in the estimated net realizable fair value of the underlying collateral. As a result, Camco s provision for loan losses, net charge-offs and nonperforming loans were significantly higher than historical levels in 2009 and 2010. The company made noted improvement in 2011 and continues to improve in 2012. *See* item 7. Allowance Loan Losses and related tables above in the notes to Consolidated Financial Statements.

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

Based upon an analysis of these factors, the continued economic outlook and new production we recorded a provision for losses on loans of $1.0 million for the three months ended March 31, 2012. We believe our loans are adequately reserved for probable losses inherent in our loan portfolio at March 31, 2012. However, there can be no assurance that the loan loss allowance will be adequate to absorb actual losses. *See* item 7. Allowance for Loan Losses for additional information above in the notes to Consolidated Financial Statements.

Other Income

Other income totaled $2.0 million for the three months ended March 31, 2012, a decrease of $988,000, or 33.3%, from the comparable 2011 period. The decrease in other income was primarily attributable to a $1.3 million decrease in gain on sale of investments, offset partially by the increase in gain on sale of loans.

The decrease in gain on sale of investments can be attributed to the fact that there were no sales in 2012. Gain on sale of loans increased in 2012 primarily due to 2011 including the sale of three portfolio loans at a loss of $433,000, which was offset by the 2011 year to date gain on the sale of mortgage loans of $463,000. When comparing the three months ended March 31, 2012 versus 2011 the gain on sale of mortgage loans increased $101,000.

General, Administrative and Other Expense

General, administrative and other expense totaled $6.7 million for the three months ended March 31, 2012 a decrease of $651,000 or 8.8%, from the comparable period in 2011. The decrease in general, administrative and other expense was primarily due to decreases in real estate owned and other expense, other loan fees and employee compensation and benefit expenses. These decreases were partially offset by an increase in professional services.

The decrease in real estate owned and other expense of $183,000 is primarily due to the prepayment of FHLB borrowings in the first quarter of 2010. The decrease of $258,000 in other loan expense was due to lower classified asset expenses in the first quarter of 2012.

Employee compensation and benefits decreased primarily due to a decrease in the total number of employees. This is coupled with additional provisions related to the net fees recognized under FAS 91 which are related to higher production levels.

The increase in professional services is related to additional legal expenses related to our exploration of capital raising alternatives.

Federal Income Taxes

Federal income taxes totaled $37,000 for the three months ended March 31, 2012 a decrease of $511,000 compared to the three months ended March 31, 2011. This decrease reflects the change for 2012 in the valuation allowance against the Corporation s net deferred tax asset. In 2011, the Corporation sold available for sale investments that were no longer carrying a deferred position and recorded tax expense related to such transactions.

The Corporation recorded a 100% valuation allowance against the net deferred tax asset in 2011. Based on the available evidence, it is more-likely-than-not that some portion or the entire deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making such judgments, significant weight is given to evidence that can be objectively verified. A cumulative tax loss position is considered significant negative evidence in assessing the realization of a net deferred tax asset, which is difficult to overcome. Reversal of the valuation allowance can be realized in the future based on estimates of projected taxable income.

The Corporation has a net operating loss carry forward for tax purposes of approximately $4.8 million at March 31, 2012. This compares to a net operating loss carry forward of approximately $7.2 million at December 31, 2011. As the Corporation returns to profitability, future earnings may benefit from the current operating loss carry-forwards.

Additional Capital

The FDIC and Ohio Division entered into a new consent order (the New Consent Order) with Advantage in February 2012, which replaced the Prior Consent Order. This New Consent Order requires, Advantage, among other things, to: (i) add two independent directors to Advantage s Board; (ii) increase its Tier 1 leverage capital to 9% and its total risk based capital to 12.0%; (iii) develop and submit a capital plan; (iv) implement plans to reduce its classified assets and loan concentrations; (v) ensure the establishment of a comprehensive policy and methodology for determining the adequacy of the allowance for loan and lease losses; (vi) seek regulatory approval prior to declaring or paying any cash dividend; and (vii) adopt and develop a strategic plan, liquidity plan, profit plan and budget. The Corporation s Tier 1 capital at March 31, 2012 did not meet the requirements set forth in the New Consent Order or the Memorandum of Understanding (the MOU) that Camco entered into with the Federal Reserve Board of Governors (FRB) on March 4, 2009 as those agreements are discussed under Liquidity and Capital Resources below. As a result, the Corporation will need to increase capital levels to meet the standards set forth by the FDIC, Ohio Division and FRB. The Corporation has engaged an investment banking firm and has developed a capital plan that includes, but is not limited to, the potential for balance sheet reduction, the sale of branches, sale of the Bank, issuing common stock, preferred stock, debt or some combination of those issuances, or other financing alternatives that will be treated as capital. Although the Corporation anticipates raising additional capital, the Board of Directors has not yet determined the type, timing, amount, or terms of possible securities to be issued in the offering, and there are no assurances that an offering will be completed or that the Corporation will succeed in this endeavor. On July 11, 2011, the Board decided to file a Form S-1 for a public rights offering. This is only one of several alternatives currently being evaluated by the Board and there is no assurance that this be the final capital raising measure pursued. However, the Board believed it was prudent to make the filing so that it could move quickly once its evaluation of available alternatives is complete. In addition, a transaction, which would likely involve equity financing would result in substantial dilution to current stockholders and could adversely affect the price of the Corporation s common stock.

Liquidity and Capital Resources

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

Camco is a single bank holding company with its primary source of liquidity derived from dividends received from the Bank which are dependent on the Bank s cash flow and earnings. Ohio statutes also impose certain limitations on a bank s payment of dividends and other capital distributions. Currently, the New Consent Order prohibits the Bank from paying a dividend to Camco without prior approval of the FDIC and Ohio Division. Camco has $5.0 million in trust preferred securities outstanding with a maturity date of 2037 and a provision that provides for a deferment of interest payment for up to 20 consecutive quarters without default, if required. Based on notification received from the FRB on April 30, 2009, Camco was required to exercise this provision to defer interest payments and has deferred a total of twelve quarters as of March 31, 2012. Further, as a result of entering into the MOU, Camco is prohibited from paying dividends to our stockholders without first obtaining the approval of the FRB. Our ability to pay dividends to stockholders is dependent on our net earnings. Increases in loan losses or higher regulatory capital reserve requirements may also jeopardize our ability to pay dividends.

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

Liquidity is monitored and assessed daily in order to meet deposit, loan and operational needs of the Bank. A liquidity contingency funding plan at both the Camco and Bank levels identifies liquidity thresholds and red flags that may evidence liquidity concerns or future crises. The contingency plan details specific actions to be taken by management and the Board of Directors should such an incident arise and identifies sources of both asset and liability based liquidity. In conjunction with the Corporation s asset/liability and interest rate risk management activities, we actively monitor liquidity risk and analyze various scenarios that could impact or impair Camco s ability to access emergency funding during a liquidity crisis.

Liquid assets consist of cash and interest-bearing deposits in other financial institutions, investments and mortgage-backed securities. Approximately $9.5 million, or 15.9%, of our investment portfolio is expected to mature or prepay during the next 12 months. While these maturities could provide a source of liquidity in the short term, the collateral requirements of public deposits and repurchase agreements limit our ability to use these funds freely. State and local political subdivision deposits equaled $24,000 at March 31, 2012, and $2.0 million at December 31, 2011.

Liquidity sources also include deposits, borrowings and principal and interest repayments on loans. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan and security prepayments are influenced more by interest rates, general economic conditions, and competition and are difficult to predict. Approximately $190.6 million of the Corporation s certificate of deposit portfolio is scheduled to mature during the next 12 months. Depositors continue a preference toward short-term certificates or other issuances less than 18 months. The shorter term preference places additional liquidity pressure on the Corporation, however, management has seen a weakening in competition for deposits in the current economic environment. A material loss of these short-term deposits could force us to seek funding through contingency sources, which may negatively impact earnings.

Management may augment liquidity and core deposit funding utilizing diversified and reliable sources of wholesale funds. Borrowings with up to one year maturity may be used to compensate for reduction in other sources of funds or to support lending activities. The Bank s loan portfolio and FHLB stock provide collateral to support its borrowing needs. Management believes that its focus on core relationship deposits coupled with access to borrowing through reliable counterparties provides reasonable and prudent assurance that ample liquidity is available. However, depositor or counterparty behavior could change in response to competition, economic or market situations or other unforeseen circumstances, which could have liquidity implications that may require different strategic or operational actions. One wholesale funding source historically used by the Bank is brokered deposits. At March 31, 2012 all such deposits have matured and been paid off.

FHLB advances are another funding source. While significant strategic and tactical focus is currently being placed on deposit growth, borrowings and additional borrowing capacity at the FHLB are still vital sources of liquidity and growth funding. However, our total borrowing capacity at the FHLB is dependent on the level of eligible collateral assets held by the Bank and the Bank s credit rating with the FHLB. Available capacity at the FHLB has been increased by pay downs of advances during 2012. The inability of the Bank to access contingency funding from the FHLB may significantly limit our growth and negatively affect earnings; however, the Bank has improved on-balance-sheet liquidity in response to FHLB s higher collateral maintenance requirements.

We plan to continue to monitor our funding sources through wholesale deposits and FHLB borrowings, but recognize that our current credit risk profile may restrict these sources. Our Funds Management Group monitors the market deposit rates to allow for competitive pricing in order to raise funds through deposits. Funds in excess of loan demand and available borrowing repayments will be held in short-term investments or federal funds sold. We are taking these actions to proactively prepare for the possibility of continued balance sheet management opportunities, possible credit markets deteriorations and non-performing loan status changes, which may change our borrowing capacity at the FHLB further.

The following table sets forth information regarding the Bank s obligations and commitments to make future payments under contract as March 31, 2012.

	Payments due by period				
	Less than 1 year	**1 3 Years**	**3 5 years**	**More than 5 years**	**Total**
			(In thousands)		
Contractual obligations:					
Operating lease obligations	$ 289	$ 376	$ 241	$ 21	$ 927
Advances from the FHLB	22,000	15,207	20,216	6,096	63,519
Repurchase agreements	9,410				9,410
Certificates of deposit	190,551	115,181	38,279	47	344,058
Subordinated debentures [(1)]				5,000	5,000
Ohio equity funds for housing	101	196	243	5	545
Deferred Compensation	244	444	436	1,201	2,325
Amount of commitments expiring per period:					
Commitments to originate loans:					
Revolving open-end lines secured by 1-4 residential properties	$ 39,801	$	$	$	$ 39,801
Commercial and industrial loans	21,471				21,471
One- to four-family construction loan	1,501				1,501
Commercial real estate, other construction loan and land development	15,949				15,949
Commercial and industrial and other unused commitments	9,626				9,626
Letters of credit	331				331
Total contractual obligations	**$ 311,274**	**$ 131,404**	**$ 59,415**	**$ 12,370**	**$ 514,463**

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

We anticipate that we will have sufficient funds available to meet our current loan commitments. Based upon historical deposit flow data, the Bank s competitive pricing in its market and management s experience, we believe that a significant portion of our maturing certificates of deposit in the next 12 months will remain with the Bank, but recognize the risk related to a large portion of the certificates of deposit maturing within three years.

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

As a result of the MOU with the FRB, Camco has deferred further interest payments on the subordinated debt securities relating to the trust preferred securities of Camco Financial Corporation Trust 1. The Company has the right under the indenture for the subordinated debt securities to defer interest payments for up to 20 consecutive calendar quarters. The deferral provisions for the securities were intended to provide the Corporation with a measure of financial flexibility during times of financial stress due to market conditions, such as the current state of the financial and real estate markets.

As a result of the Corporation s exercise of its contractual right to defer interest payments on its subordinated debt securities, it is likely that the Corporation will not have access to the trust preferred securities market until the Corporation becomes current on those obligations. This may also adversely affect the Corporation s ability in the market to obtain debt financing. Therefore, the Corporation is likely to have greater difficulty in obtaining financing and, thus, will have fewer sources to enhance its capital and liquidity position. In addition, the Corporation will be unable to pay dividends on its common stock until such time as the Corporation is current on interest payments on its subordinated debt securities. Currently, there is no market for trust preferred securities.

Camco and Advantage are required to maintain minimum regulatory capital pursuant to federal regulations and the New Consent Order. The following tables present certain information regarding compliance by Camco and Advantage with applicable regulatory capital requirements at March 31, 2012:

	Actual		For capital Adequacy purposes		To be well-capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
Total capital to risk-weighted assets:						
Camco Financial Corporation	$ 58,525	9.71%	≥$ 48,202	≥ 8.0%	≥$ 60,252	10.0%
Advantage Bank	$ 56,053	9.31%	≥$ 48,173	≥ 8.0%	≥$ 60,216	10.0%
Tier I capital to risk-weighted assets:						
Camco Financial Corporation	$ 50,907	8.45%	≥$ 24,101	≥ 4.0%	≥$ 36,151	6.0%
Advantage Bank	$ 48,435	8.04%	≥$ 24,086	≥ 4.0%	≥$ 36,129	6.0%
Tier I leverage to average assets:						
Camco Financial Corporation	$ 50,907	6.56%	≥$ 31,043	≥ 4.0%	≥$ 38,804	5.0%
Advantage Bank	$ 48,435	6.26%	≥$ 30,973	≥ 4.0%	≥$ 38,715	5.0%

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

The MOU prohibits Camco from engaging in certain activities while the MOU is in effect, including, without the prior written approval of the FRB, (1) the declaration or payment of dividends to stockholders or (2) the repurchase of Camco s stock.

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

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

Advantage entered into a consent agreement with the FDIC and the Division that provided for the issuance of the Prior Consent Order. This Prior Consent Order was replaced by the New Consent Order on February 9, 2012. The New Consent Order requires Advantage to, among other things, (i) increase its Tier 1 risk based capital to 9% by March 31, 2012; and (ii) seek regulatory approval prior to declaring or paying any cash dividend. Therefore, Advantage must maintain 9% Tier 1 Capital to be deemed adequately capitalized . As a result of the New Consent Order, Advantage remains disqualified as a public depository under Ohio law and will incur higher premiums for FDIC insurance of its accounts. Currently, Advantage is not in compliance with the Tier 1 capital requirement of the New Consent Order.

As a result of the recent downturn in the financial markets, the availability of many sources of capital (principally to financial service companies) has become significantly restricted or has become increasingly costly as compared to the prevailing market rates prior to the downturn. Management cannot predict when or if the capital markets will return to more favorable conditions.

There can be no assurances that the Corporation will be successful in its efforts to raise additional capital during 2012. An equity financing transaction would result in substantial dilution to the Corporation s current stockholders and could adversely affect the market price of the Corporation s common stock. We are unable to predict if these efforts will be successful, either on a short-term or long-term basis. Should these efforts be unsuccessful, due to the regulatory restrictions which exist that prohibit dividends between the Bank and Camco, which may cause Camco to be unable to meet its financial obligations in the normal course of business. Further, a material failure to comply with the provisions of the MOU, Camco Agreement or New Consent Order could result in additional enforcement actions by the FDIC, the Ohio Division or the FRB.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 4: Controls and Procedures

Camco s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of Camco s disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of March 31, 2012. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Camco s disclosure controls and procedures were effective as of March 31, 2012. During the quarter ended March 31, 2012, there were no changes in Camco s internal controls over financial reporting that have materially affected or are reasonably likely to materially affect Camco s internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

In the ordinary course of their respective businesses or operations, Camco or its subsidiaries may be named as a plaintiff, a defendant, or a party to a legal proceeding or any of their respective properties may be subject to various pending and threatened legal proceedings and various actual and potential claims. In view of the inherent difficulty of predicting the outcome of such matters, Camco cannot state what the eventual outcome of any such matters will be; however, based on current knowledge and after consultation with legal counsel, management believes that these proceedings will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of Camco.

ITEM 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in the Corporation s Form 10-K for the year ended December 31, 2011. The risk factors described in the Annual Report on Form 10-K are not the only risks facing the Corporation. Additional risks and uncertainties not currently known to the Corporation or that management currently deems to be immaterial also may materially adversely affect the Corporation s business, financial condition or operating results. Moreover, the Corporation undertakes no obligation and disclaims any intention to publish revised information or updates to forward looking statements contained in such risk factors or in any other statement made at any time by the Corporation or any of its directors, officers, employees or other representatives, unless and until any such revisions or updates are expressly required to be disclosed by securities laws or regulations.

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

(a) Not applicable

(b) Not applicable

(c) Not applicable

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. Mine Safety Disclosures

Not applicable

ITEM 5. Other Information

The 2012 Annual Meeting of the Stockholders (the Annual Meeting) of the Corporation has been moved to later in the summer of 2012. As such, the date of the Annual Meeting will have changed by more than 30 days from the anniversary of the Corporation s 2011 Annual Meeting. In accordance with Rule 14a-5(f) and Rule 14a-8(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), the Corporation considered stockholder proposals submitted pursuant to Rule 14a-8 for inclusion in the Corporation s proxy materials for the Annual Meeting to have been submitted in a timely fashion if such proposals were received by the Corporation no later than January 4, 2012. Such proposals should have been delivered by certified mail to the attention of the Corporate Governance and Nominating Committee of Camco Financial Corporation at 814 Wheeling Avenue, Cambridge, Ohio, 43725.

ITEM 6. Exhibits

Exhibit 3(i)	Third Restated Certificate of Incorporation of Camco Financial Corporation, as amended	Incorporated by reference to Camco s Annual Report on Form 10-K for the fiscal year ended December 31, 2003, Film no. 04668873 (2003 Form 10-K), Exhibit 3(i)
Exhibit 3(ii)	2003 Amended and Restated By-Laws of Camco Financial Corporation	Incorporated by reference to Camco s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, Exhibit 3(ii)
Exhibit 10	2011 Incentive Award Plan	Incorporated by reference to Camco s 8-K filed on April 26, 2011
Exhibit 10.1	New Consent Order with And the State of Ohio, Division of Financial Institutions	Incorporated by reference to Camco s Report on Form 8-K filed on February 15, 2012
Exhibit 31(i)	Section 302 certification by Chief Executive Officer	
Exhibit 31(ii)	Section 302 Certification by Chief Financial Officer	
Exhibit 32(i)	Section 1350 certification by Chief Executive Officer	
Exhibit 32(ii)	Section 1350 certification by Chief Financial Officer	
Exhibit 101.INS	XBRL Instance Document	
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document	
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Link base Document	
Exhibit 101.LAB	XBRL Taxonomy Extension Label Link base Document	
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Link base Document	

SIGNATURES

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

Date: May 11, 2012	By: /s/ James E. Huston James E. Huston Chief Executive Officer
Date: May 11, 2012	By: /s/ John E. Kirksey John E. Kirksey Chief Financial Officer