CAMCO FINANCIAL CORP
Form 10-Q
August 09, 2006

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

(Mark One)

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from __________ to __________

Commission File Number 0-25196

CAMCO FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

6901 Glenn Highway, Cambridge, Ohio 43725-9757

(Address of principal executive office) (Zip code)

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

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

Yes þ No o

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

Yes þ No o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by chek mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.).

Yes o No þ

As of August 3, 2006, the latest practicable date, 7,488,813 shares of the registrant s common stock, $1.00 par value, were issued and outstanding.

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

	June 30, 2006	December 31, 2005
ASSETS		
Cash and due from banks	13,592	21,786
Interest-bearing deposits in other financial institution	19,346	11,299
Cash and cash equivalents	32,938	33,085
Investment securities available for sale at market	55,612	47,907
Investment securities held to maturity at cost, approximate market value of $935 and $947 as of June 30, 2006 and December 31, 2005, respectively	917	919
Mortgage-backed securities available for sale at market	55,053	61,607
Mortgage-backed securities held to maturity at cost, approximate market value of $2,907 and $3,251 as of June 30, 2006 and December 31, 2005, respectively	3,004	3,257
Loans held for sale at lower of cost or market	2,114	1,947
Loans receivable net	845,282	846,763
Office premises and equipment net	13,092	11,569
Real estate acquired through foreclosure	1,976	2,581
Federal Home Loan Bank stock at cost	27,890	27,112
Accrued interest receivable	5,953	5,297
Prepaid expenses and other assets	1,502	1,228
Cash surrender value of life insurance	20,915	20,793
Goodwill net of accumulated amortization	6,683	6,683
Prepaid federal income taxes	742	500
Total assets	**$ 1,073,673**	**$ 1,071,248**
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	$ 681,905	$ 660,242
Advances from the Federal Home Loan Bank	290,441	307,223
Advances by borrowers for taxes and insurance	2,089	3,249
Accounts payable and accrued liabilities	5,031	5,331
Dividends payable	1,127	1,102
Deferred federal income taxes	2,977	3,338
Total liabilities	983,570	980,485
Stockholders equity		
Preferred stock $1 par value; authorized 100,000 shares; no shares outstanding		
Common stock $1 par value; authorized 14,900,000 shares; 8,829,839 and 8,829,839 shares issued at June 30, 2006 and December 31, 2005, respectively	8,830	8,830

Additional paid-in capital	59,636	59,567
Retained earnings substantially restricted	43,808	42,569
Accumulated other comprehensive income (loss) unrealized gains (losses) on securities designated as available for sale, net of related tax effects	(2,360)	(1,663)
Less 1,341,025 and 1,251,125 shares of treasury stock at June 30, 2006 and December 31, 2005, respectively at cost	(19,811)	(18,540)
Total stockholders equity	90,103	90,763
Total liabilities and stockholders equity	**$ 1,073,673**	**$ 1,071,248**

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

	Six months ended June 30,		Three months ended June 30,	
	2006	**2005**	**2006**	**2005**
Interest income				
Loans	$ 26,740	$ 24,273	$ 13,491	$ 12,311
Mortgage-backed securities	1,241	1,493	608	742
Investment securities	1,019	442	539	257
Interest-bearing deposits and other	1,615	1,258	825	651
Total interest income	30,615	27,466	15,463	13,961
Interest expense				
Deposits	9,532	7,289	5,108	3,786
Borrowings	5,849	5,280	2,900	2,646
Total interest expense	15,381	12,569	8,008	6,432
Net interest income	15,234	14,897	7,455	7,529
Provision for losses on loans	720	600	360	360
Net interest income after provision for losses on loans	14,514	14,297	7,095	7,169
Other income				

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

	Six months ended June 30,		Three months ended June 30,	
	2006	**2005**	**2006**	**2005**
Net earnings	$ 3,494	$ 4,258	$ 1,815	$ 2,040
Other comprehensive income (loss), net of related tax effects:				
Unrealized holding gains(losses) during the period, net of tax benefits of $(359), $(165), $(91) and $347 for the respective periods	(697)	(319)	(177)	673
Reclassification adjustment for realized gains included in earnings, net of taxes of $0 and $4 for the respective six month periods and $0 and $0 for each of the three month periods ended June 30, 2006 and 2005, respectively		(9)		
Comprehensive income (loss)	**$ 2,797**	**$ 3,930**	**$ 1,638**	**$ 2,713**

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

	2006	2005
Cash flows from operating activities:		
Net earnings for the period	$ 3,494	$ 4,258
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Amortization of deferred loan origination fees	85	31
Amortization of premiums and discounts on investment and mortgage-backed securities net	132	254
Amortization of mortgage servicing rights net	462	456
Amortization of purchase accounting adjustments net	(44)	(44)
Depreciation and amortization	613	621
Stock option expense	69	
Provision for losses on loans	720	600
Federal Home Loan Bank stock dividends	(778)	(603)
(Gain) loss on sale of real estate acquired through foreclosure	25	(34)
Gain on sale of office premises and equipment	(1)	(6)
Gain on investment securities transactions		(13)
Gain on sale of loans	(179)	(349)
Loans originated for sale in the secondary market	(27,603)	(33,825)
Proceeds from sale of loans in the secondary market	27,614	33,570
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	(656)	(207)
Prepaid expenses and other assets	(274)	(182)
Accrued interest and other liabilities	(300)	(271)
Federal income taxes:		
Current	(242)	4,582
Deferred	(1)	49
Net cash provided by operating activities	3,136	8,887
Cash flows provided by (used in) investing activities:		
Proceeds from maturities of investment securities and interest-bearing deposits		8,000
Proceeds from sale of mortgage-backed securities designated as available for sale		
Proceeds from sale of investment securities designated as available for sale		27
Purchase of investment securities designated as available for sale	(7,916)	(21,088)
Purchase of mortgage-backed securities designated as available for sale	(938)	(3,348)
Principal repayments on mortgage-backed securities	6,769	10,582
Loan principal repayments	124,465	147,045
Loan disbursements	(122,619)	(152,313)
Purchase of loans	(1,501)	(4,730)
Additions to office premises and equipment	(2,136)	(475)
Additions to real estate acquired through foreclosure	(29)	(23)
Proceeds from sale of real estate acquired through foreclosure	523	1,693

Proceeds from sale of office premises and equipment	1	7
Net increase in cash surrender value of life insurance	(382)	(374)
Proceeds from redemption of life insurance	260	
Net cash used in investing activities	(3,503)	(14,997)
Net cash provided by (used in) operating and investing activities (balance carried forward)	(367)	(6,110)

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

	2006	2005
Net cash provided by (used in) operating and investing activities (balance brought forward)	(367)	$ (6,110)
Cash flows provided by (used in) financing activities:		
Net increase in deposits	21,663	1,505
Proceeds from Federal Home Loan Bank advances	42,139	10,000
Repayment of Federal Home Loan Bank advance	(58,921)	(7,015)
Dividends paid on common stock	(2,230)	(2,225)
Purchase of treasury stock	(1,271)	(623)
Proceeds from exercise of stock options		200
Decrease in advances by borrowers for taxes and insurance	(1,160)	(1,848)
Net cash provided by (used in) financing activities	220	(6)
Net decrease in cash and cash equivalents	(147)	(6,116)
Cash and cash equivalents at beginning of period	33,085	42,894
Cash and cash equivalents at end of period	**$ 32,938**	**$ 36,778**
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on deposits and borrowings	**$ 15,303**	**$ 14,389**
Cash paid for taxes	**$ 1,829**	**$**
Supplemental disclosure of noncash investing activities:		
Unrealized losses on securities designated as available for sale, net of related tax benefits	**$ (697)**	**$ (319)**
Recognition of mortgage servicing rights in accordance with SFAS No. 140	**$ 394**	**$ 466**
Transfers from loans to real estate acquired through foreclosure	**$ 1,134**	**$ 2,390**

Dividends declared but unpaid	**$ 1,127**	**$ 1,108**

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six- and three-month periods ended June 30, 2006 and 2005

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, 2005. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements, have been included. The results of operations for the six- and three-month periods ended June 30, 2006, are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

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

3. Critical Accounting Policies

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

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

Allowance for Loan Losses

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

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Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

3. Critical Accounting Policies (continued)

Allowance for Loan Losses (continued)

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

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses inherent in the loan portfolio. Management s evaluation of the adequacy of the allowance is an estimate based on management s current judgement about the credit quality of the loan portfolio. While the Corporation strives to reflect all known risk factors in its evaluations, judgment errors may occur.

Mortgage Servicing Rights

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

Camco Financial Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six- and three-month periods ended June 30, 2006 and 2005

3. Critical Accounting Policies (continued)

Goodwill

We have developed procedures to test goodwill for impairment on an annual basis using June 30 financial information. This testing procedure is outsourced to a third party that evaluates possible impairment based on the following:

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

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

After each testing period, the third party compiles a summary of the test that is then provided to the Enterprise Risk and Audit Committee for review.

Summary

Management believes the accounting estimates related to the allowance for loan losses, the capitalization, amortization, and valuation of mortgage servicing rights and the goodwill impairment test are critical accounting estimates because: (1) the estimates are highly susceptible to change from period to period because they require management to make assumptions concerning the changes in the types and volumes of the portfolios, rates of future prepayments, and anticipated economic conditions, and (2) the impact of recognizing an impairment or loan loss could have a material effect on Camco s assets reported on the balance sheet as well as its net earnings. Management has discussed the development and selection of these critical accounting estimates with the Enterprise Risk and Audit Committee of the Board of Directors and the Enterprise Risk and Audit Committee has reviewed Camco s disclosures relating to such matters in the quarterly Management s Discussion and Analysis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six- and three-month periods ended June 30, 2006 and 2005

4. Earnings Per Share

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

	For the six months ended June 30,		For the three months ended June 30,	
	2006	2005	2006	2005
Weighted-average common shares outstanding (basic)	7,542,430	7,668,909	7,521,529	7,660,120
Dilutive effect of assumed exercise of stock options	3,377	23,719	3,258	21,066
Weighted-average common shares outstanding (diluted)	**7,545,807**	**7,692,628**	**7,524,787**	**7,681,186**

Anti-dilutive options to purchase 291,842 and 167,879 shares of common stock with respective weighted-average exercise prices of $15.51 and $16.46 were outstanding at June 30, 2006 and 2005, respectively, but were excluded from the computation of common share equivalents for each of the six month periods then ended, because the exercise prices were greater than the average market price of the common shares.

Anti-dilutive options to purchase 291,842 and 211,650 shares of common stock with respective weighted-average exercise prices of $15.51 and $16.08 were outstanding at June 30, 2006 and 2005, respectively, but were excluded from the computation of common share equivalents for each of the three month periods then ended, because the exercise prices were greater than the average market price of the common shares.

5. Stock Option Plans

Under the 2002 Stock Option Plan, 400,000 shares were reserved for issuance. Additionally, in connection with the acquisition of Ashland Financial Corporation, the stock options of Ashland were converted into options to purchase 174,421 shares of the Corporation s stock at an exercise price of $7.38 per share, which were exercisable through 2005. In connection with the 2000 acquisition of Westwood Homestead Financial Corporation, the stock options of Westwood Homestead were converted into options to purchase 311,794 shares of the Corporation s stock at a weighted-average exercise price of $11.89 per share, which are exercisable through 2008.

Effective January 1, 2006, the Corporation adopted SFAS No. 123R, Accounting for Stock-Based Compensation, which contains 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. Compensation is then recognized over the service period, which is usually the vesting period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six- and three-month periods ended June 30, 2006 and 2005

5. Stock Option Plans (continued)

Prior to January 1, 2006, the Corporation utilized APB Opinion No. 25 and related Interpretations in accounting for its stock option plans in 2005. Accordingly, no compensation cost has been recognized for the plans in 2005. Had compensation cost for the Corporation s stock option plans been determined based on the fair value at the grant dates for awards under the plans consistent with the accounting method utilized in SFAS No. 123R, the Corporation s net earnings and earnings per share for the three-month and six-month periods ended June 30, 2006 and 2005 would have been reported as the pro forma amounts indicated below:

	Six months ended June 30		Three months ended June 30	
	2006	2005	2006	2005
Net earnings				
As reported	$ 3,494	$ 4,258	$ 1,815	$ 2,040
Add: Stock-based compensation, expense included in reported income, net of tax	61		31	
Deduct: Total stock-based compensation expense determined under fair value based method for awards, net of tax	(61)	(42)	(31)	(21)
	$ 3,494	**$ 4,216**	**$ 1,815**	**$ 2,019**
Earnings per share				
Basic				
As reported	$ .46	$ .56	$ .24	$ .27
Stock-based compensation, net of tax		(.01)		(.01)
Proforma	**$ .46**	**$ .55**	**$ .24**	**$ .26**
Diluted				
As reported	$ .46	$ .55	$ .24	$ .26
Stock-based compensation, net of tax				
Pro-forma	**$ .46**	**$ .55**	**$ .24**	**$ .26**

The fair value of each option grant is estimated on the date of grant using the modified Black-Scholes options-pricing model with the following assumptions used for grants during 2006 and 2005: dividend yield of 4.0% and 3.80%, respectively; expected volatility of 15.16% and 18.76% respectively; a risk-free interest rate of 4.57% and 4.22% respectively, and an expected life of ten years for all grants.

Camco Financial Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

5. Stock Option Plans (continued)

A summary of the status of the Corporation s stock option plans as of June 30, 2006 and December 31, 2005, and changes during the periods ending on those dates is presented below:

	Six months ended June 30, 2006		Year ended December 31, 2005	
	Shares	**Weighted-average exercise price**	**Shares**	**Weighted-average exercise price**
Outstanding at beginning of period	224,636	$ 15.71	218,324	$ 12.91
Granted	84,513	14.12	87,240	16.51
Exercised			(70,162)	8.43
Forfeited	(442)	16.43	(10,766)	12.85
Outstanding at end of period	**308,707**	**$ 15.28**	**224,636**	$ **15.71**
Options exercisable at period-end				
Weighted-average fair value of options granted during the period	**227,016**	**$ 15.34**	**138,305**	**$ 15.22**

The following information applies to options outstanding at June 30, 2006:

Number outstanding	5,255
Range of exercise prices	$ 8.92 9.75
Number outstanding	96,123
Range of exercise prices	11.36 14.16
Number outstanding	207,329
Range of exercise prices	14.55 17.17
Weighted-average exercise price	$ 15.28
Weighted-average remaining contractual life	7.05

6. Forward Looking Statements

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

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

For the six- and three-month periods ended June 30, 2006 and 2005

Discussion of Financial Condition Changes from December 31, 2005 to June 30, 2006

At June 30, 2006, Camco s consolidated assets totaled $1.1 billion, an increase of $2.4 million, or .2%, from the December 31, 2005 total. The increase in total assets was comprised primarily of investment securities available for sale offset partially by the decrease of mortgage backed securities available for sale.

In May of 2006, we completed a conversion to a new core processing system for about the same operating cost as our old system. The new system put all our products and locations on one integrated platform that gives us better information about our business, but more importantly provides our customers faster and improved service as we strive to enhance their banking experience with Advantage Bank.

Cash and interest-bearing deposits in other financial institutions totaled $32.9 million at June 30, 2006, a decrease of $147,000, or .4%, from December 31, 2005 levels. Investment securities totaled $56.5 million at June 30, 2006, an increase of $7.7 million, or 15.8%, from the total at December 31, 2005. Investment securities purchases totaled $7.9 million. Purchases were comprised primarily of intermediate-term callable U.S. Government sponsored enterprises with an average yield of 5.23%. Investments available for sale were purchased during the first six months to provide collateral for public deposits.

Mortgage-backed securities totaled $58.1 million at June 30, 2006, a decrease of $6.8 million, or 10.5%, from December 31, 2005. The decrease was attributable to purchases of $938,000, which was offset by principal repayments totaling $6.8 million and a decrease in market value of certain securities totaling $841,000 during the six-month period ended June 30, 2006. The yield on mortgage-backed securities purchased during the period was 6.0%. All of the securities purchased were classified as available for sale.

Loans receivable, including loans held for sale, totaled $847.4 million at June 30, 2006, a decrease of $1.3 million, or .2%, from December 31, 2005. The decrease resulted primarily from principal repayments of $124.5 million and loan sales of $27.4 million, which was offset by loan disbursements and purchases totaling $151.1 million. The volume of loans originated and purchased during the first six months of 2006 decreased compared to the 2005 period by $39.1 million, or 20.5%, and the volume of loan sales also decreased by $5.8 million, or 17.4%, period to period. The number of loans originated for sale in the secondary market continues to decline as long term rates have risen. The rise in interest rates resulted in an increase in the production of adjustable rate loans for the portfolio. Instead of selling adjustable rate loans, Camco has typically held adjustable-rate mortgage loans in its portfolio as an integral part of its strategy to build interest rate sensitive assets for interest rate risk purposes. Loan originations during the six-month period ended June 30, 2006, were comprised primarily of $60.5 million of loans secured by one- to four-family residential real estate, $51.0 million in consumer and other loans and $40.2 million in loans secured by commercial real estate. Management plans to continue to expand its consumer and commercial real estate lending in future periods as a means of increasing the yield on its loan portfolio.

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the six- and three-month periods ended June 30, 2006 and 2005

Discussion of Financial Condition Changes from December 31, 2005 to June 30, 2006 (continued)

The allowance for loan losses totaled $7.6 million at June 30, 2006 and $7.0 million at December 31, 2005, representing 48.6% and 50.0% of nonperforming loans, respectively, at those dates. Nonperforming loans (90 days or more delinquent plus nonaccrual loans) totaled $15.7 million and $13.9 million at June 30, 2006 and December 31, 2005, respectively, constituting 1.85% and 1.64% of total net loans, including loans held for sale, at those dates. At June 30, 2006, nonperforming loans were comprised of $8.6 million in one- to four-family residential real estate loans, $3.1 million of consumer and non-residential loans and $4.0 million in commercial and multi-family real estate loans. Management believes all nonperforming loans are adequately collateralized and no loss is expected over and above allocated reserves on such loans. Loans delinquent greater than 30 days but less than 90 days totaled $13.1 million at June 30, 2006, compared to $9.5 million at December 31, 2005, an increase of $3.6 million, or 37.5%. The increase was primarily due to the increase in closed-end loans secured by one- to four- family residential properties. Although management believes that its allowance for loan losses is adequate based upon the available facts and circumstances at June 30, 2006, there can be no assurance that increased provisions will not be necessary in future periods, which could adversely affect Camco s results of operations.

Deposits totaled $681.9 million at June 30, 2006, an increase of $21.7 million, or 3.3%, from the total at December 31, 2005. The increase in deposits was due to a $35.5 million increase of certificates of deposit, of which $14.6 million was brokered deposits and $13.7 million in money market accounts, partially offset by a $17.1 million decrease in interest bearing checking accounts, $6.2 million decrease in statement savings and $4.1 million decrease in non- interest bearing checking accounts. The increase in certificates of deposit is a result of the Bank actively pursuing the extension of deposit maturities in a rising rate environment, while the decrease in interest bearing checking accounts, money market accounts and savings was due to highly competitive pricing in the Bank s market area.

Stockholders equity totaled $90.1 million at June 30, 2006, a decrease of $660,000, or .7%, from December 31, 2005. The decrease resulted primarily from dividends of $2.2 million, the purchase of $1.3 million in treasury shares and an increase in the unrealized losses on securities of $700,000, offset partially by net earnings of $3.5 million.

Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

Discussion of Financial Condition Changes from December 31, 2005 to June 30, 2006 (continued)

Camco and the Bank are required to maintain minimum regulatory capital pursuant to federal regulations. At June 30, 2006, the regulatory capital of Camco and the Bank exceeded all regulatory capital requirements.

The following tables present certain information regarding compliance by Advantage with applicable regulatory capital requirements at June 30, 2006:

Camco:

	At June 30, 2006					
	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)	$92,729	12.26%	³$60,496	³8.0%	³$75,620	³10.0%
Tier I capital (to risk-weighted assets)	$85,090	11.25%	³$30,248	³4.0%	³$45,372	³ 6.0%
Tier I leverage	$85,090	7.97%	³$42,720	³4.0%	³$52,892	³ 5.0%

Advantage:

	At June 30, 2006					
	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)	$84,057	11.13%	³$60,354	³8.0%	³$75,493	³10.0%
Tier I capital (to risk-weighted assets)	$76,418	10.12%	³$30,197	³4.0%	³$45,296	³ 6.0%
Tier I leverage	$76,418	7.22%	³$42,314	³4.0%	³$52,892	³ 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.

Comparison of Results of Operations for the Six Months Ended June 30, 2006 and 2005

General

Camco s net earnings for the six months ended June 30, 2006 totaled $3.5 million, a decrease of $764,000, or 17.9%, from the $4.3 million of net earnings reported in the comparable 2005 period. The decrease in earnings was primarily attributable to an $829,000 or 7.3% increase in general, administrative and other expense and a $569,000 decrease in other income, which was partially offset by an increase in the net interest income of $337,000 or 2.3%.

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

Comparison of Results of Operations for the Six Months Ended June 30, 2006 and 2005 (continued)

Net Interest Income

Total interest income amounted to $30.6 million for the six months ended June 30, 2006, an increase of $3.1 million, or 11.5%, compared to the six-month period ended June 30, 2005, generally reflecting the effects of an increase in yield on total interest-earning assets of 55 basis points, from 5.44% in the 2005 period to 5.99% in 2006, and a $12.3 million or 1.2%, increase in the average balance of interest-earning assets outstanding year to year.

AVERAGE BALANCE, YIELD, RATE AND VOLUME DATA

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

	For six months ended June 30,					
	2006			2005		
	Average outstanding balance	Interest earned/ paid	Average yield/ rate	Average outstanding balance	Interest earned/ paid	Average yield/ rate
				(Dollars in thousands)		
Interest-earning assets:						
Loans receivable (1)	$ 846,501	$ 26,740	6.32%	$ 842,347	$ 24,273	5.76%
Mortgage-backed securities (2)	61,136	1,241	4.06	80,439	1,493	3.71
Investment securities (2)	51,285	1,019	3.97	27,529	442	3.21
Interest-bearing deposits and other interest-earning assets	63,114	1,615	5.12	59,437	1,258	4.23
Total interest-earning assets	**$ 1,022,036**	30,615	5.99	**$ 1,009,752**	27,466	5.44
Interest-bearing liabilities:						
Deposits	$ 639,589	9,532	2.98	$ 644,082	7,289	2.26
FHLB advances	296,448	5,849	3.95	291,590	5,280	3.62
Total interest-bearing liabilities	**$ 936,037**	15,381	3.29	**$ 935,672**	12,569	2.69
Net interest income/Interest rate spread		**$ 15,234**	**2.70%**		**$ 14,897**	**2.75%**

Net interest margin [3]	**2.98%**	**2.95%**
Average interest-earning assets to average interest-bearing liabilities	**109.2%**	**107.9%**

(1) Includes nonaccrual loans and loans held for sale.

(2) Includes securities designated as available for sale.

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

Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

Comparison of Results of Operations for the Six Months Ended June 30, 2006 and 2005 (continued)

Interest income on loans totaled $26.7 million for the six months ended June 30, 2006, an increase of $2.5 million or 10.2% from the comparable 2005 period. The increase resulted primarily from a 56 basis point increase in the average yield to 6.32% from 5.76% in 2005, coupled with the increase in the average balance outstanding of $4.2 million or .5% in the 2005 period. Interest income on mortgage-backed securities totaled $1.2 million for the six months ended June 30, 2006, a $252,000, or 16.9%, decrease from the 2005 period. The decrease was due primarily to a $19.3 million or 24.0% decrease in the average balance outstanding in the 2006 period, offset partially by a 35 basis point increase in the average yield to 4.06% for the 2006 period. Interest income on investment securities increased by $577,000 or 130.5% due primarily to a 76 basis point increase in the average yield, to 3.97% in the 2006 period, coupled with an increase of $23.8 million or 86.3% in the average balance outstanding. Interest income on other interest-earning assets increased by $357,000 or 28.4% due primarily to an 89 basis point increase in the average yield to 5.12% compared to 4.23% for the six months ended June 30, 2005 which was coupled with a $3.7 million or 6.2% increase in the average balance outstanding.

Interest expense on deposits totaled $9.5 million for the six months ended June 30, 2006, an increase of $2.2 million or 30.8% compared to the same period in 2005, due primarily to a 72 basis point increase in the average cost of deposits to 2.98% in the current period, offset partially by a $4.5 million or .7% decrease in average deposits outstanding. Interest expense on borrowings totaled $5.8 million for the six months ended June 30, 2006, an increase of $569,000 or 10.8% from the same 2005 six-month period. The increase resulted primarily from a 33 basis point increase in the average cost of borrowings to 3.95%, coupled with a $4.9 million or 1.7% increase in the average balance outstanding year to year.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $337,000, or 2.3% to a total of $15.2 million for the six months ended June 30, 2006. The interest rate spread decreased to approximately 2.70% at June 30, 2006 from 2.75% at June 30, 2005, while the net interest margin increased to approximately 2.98% for the six months ended June 30, 2006 compared to 2.95% for the 2005 period.

Provision for Losses on Loans

A provision for losses on loans is charged to earnings to bring the total allowance for loan losses to a level considered appropriate by management based on historical experience; the volume and type of lending conducted by the Bank; the status of past due principal and interest payments; general economic conditions particularly as such conditions relate to the Bank s market areas and other factors related to the collectibility of the Bank s loan portfolio. Based upon an analysis of these factors, management recorded a provision for losses on loans totaling $720,000 for the six months ended June 30, 2006. Management believes all classified loans are adequately reserved. However, there can be no assurance that the loan loss allowance will be adequate to absorb losses on known classified assets or that the allowance will be adequate to cover losses on classified assets in the future.

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

Comparison of Results of Operations for the Six Months Ended June 30, 2006 and 2005 (continued)

Other Income

Other income totaled $2.8 million for the six months ended June 30, 2006, a decrease of $569,000 or 17.0% from the comparable 2005 period. The decrease in other income was primarily attributable to a $272,000 decrease in late charges, rent and other, a $170,000 decrease in gain on sale of loans, and a $77,000 decrease in the mortgage servicing right activity all of which were partially offset by an increase of $63,000 in service charges and other fees on deposits. The decrease in late charges, rent and other was due primarily to a management decision to discontinue the accrual of late charges on commercial loans and move to a method that will recognize late charges as income when collected. This decision to reverse accrued late charges resulted in a decrease in other income of $166,000 for the period. The decrease in gain on sale of loans was due primarily to a decrease in the volume of loans sold of $5.8 million or 17.4% from the volume of loans sold in the 2005 period. The decrease in mortgage servicing rights was attributable to the increase of loan prepayments in the servicing portfolio for the six months ended June 30, 2006 coupled with the decrease of loans sold which created a $72,000 decrease in valuation of new loans.

General, Administrative and Other Expense

General, administrative and other expense totaled $12.2 million for the six months ended June 30, 2006, an increase of $829,000 or 7.3% from the comparable period in 2005. The increase in general, administrative and other expense was due primarily to a $422,000, or 6.1% increase in employee compensation and benefits, and a $327,000 or 224.0% increase in franchise taxes. The increase in employee compensation and benefits is due to several key hires within mid-management level of the Corporation as well as revenue generating commercial lenders in the markets we serve, recruiting expense, merit increases and increases in health insurance. The increase in franchise tax was due to incurring a normal level of expense after realizing a one-time savings which occurred in 2005 from acquiring London Financial Corporation in August 2004 when the Bank changed charters to a state chartered commercial bank.

Federal Income Taxes

The provision for federal income taxes totaled $1.6 million for the six months ended June 30, 2006, a decrease of $418,000 or 20.9% compared to the six months ended June 30, 2005. This decrease was primarily attributable to a $1.2 million or 18.9% decrease in pre-tax earnings. The Corporation s effective tax rates amounted to 31.2% and 32.0% for the six-month periods ended June 30, 2006 and 2005, respectively.

Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

Comparison of Results of Operations for the Three Months Ended June 30, 2006 and 2005

General

Camco s net earnings for the three months ended June 30, 2006 totaled $1.8 million, a decrease of $225,000, or 11.0%, from the $2.0 million of net earnings reported in the comparable 2005 period. The decrease in earnings was primarily attributable to a $169,000 or 10.3% decrease in other income, coupled with an increase of $132,000 or 3.9% in employee compensation and benefits and a decrease in net interest income of $74,000 or 1.0%.

Net Interest Income

Total interest income amounted to $15.5 million for the three months ended June 30, 2006, an increase of $1.5 million or 10.8% compared to the three-month period ended June 30, 2005, generally reflecting the effects of an increase in yield on total interest-earning assets of 53 basis points from 5.51% in the 2005 period to 6.04% in 2006.

Interest income on loans totaled $13.5 million for the three months ended June 30, 2006, an increase of $1.2 million or 9.6% from the comparable 2005 period. The increase resulted primarily from a 54 basis point increase in the average yield to 6.37% from 5.83% in 2005 coupled with an increase in the average balance outstanding of $2.7 million or .3% in the 2006 quarter. Interest income on mortgage-backed securities totaled $608,000 for the three months ended June 30, 2006, a $134,000 or 18.1% decrease from the 2005 quarter. The decrease was due primarily to a $19.6 million or 24.9% decrease in the average balance outstanding in the 2006 period, partially offset by a 34 basis point increase in the average yield to 4.11% for the 2006 period. Interest income on investment securities increased by $282,000 or 109.7% due primarily to a 71 basis point increase in the average yield to 4.06% in the 2006 period, coupled with a $22.4 million increase in the average balance outstanding. Interest income on other interest-earning assets increased by $174,000 or 26.7% due primarily to a 69 basis point increase in the average yield to 5.08% compared to 4.39% for the three months ended June 30, 2005 coupled with a $5.6 million or 9.4% increase in the average balance outstanding.

Interest expense on deposits totaled $5.1 million for the three months ended June 30, 2006, an increase of $1.3 million or 34.9% compared to the same quarter in 2005, due primarily to an 80 basis point increase in the average cost of deposits to 3.14% in the current quarter, coupled with a $3.7 million or .6% increase in average deposits outstanding. Interest expense on borrowings totaled $2.9 million for the three months ended June 30, 2006, an increase of $254,000 or 9.6% from the same 2005 three-month period. The increase resulted primarily from a 37 basis point increase in the average cost of borrowings to 4.03%, offset partially by a $1.1 million or .4% decrease in the average balance outstanding year to year.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased by $74,000 or 1.0% to a total of $7.5 million for the three months ended June 30, 2006. The interest rate spread decreased to approximately 2.63% at June 30, 2006 from 2.76% at June 30, 2005, while the net interest margin decreased to approximately 2.91% for the three months ended June 30, 2006, compared to 2.97% for the 2005 period.

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

Comparison of Results of Operations for the Three Months Ended June 30, 2006 and 2005 (continued)

Provision for Losses on Loans

A provision for losses on loans is charged to earnings to bring the total allowance for loan losses to a level considered appropriate by management based on historical experience, the volume and type of lending conducted by the Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Bank s market areas, and other factors related to the collectibility of the Bank s loan portfolio. Based upon an analysis of these factors, management recorded a provision for losses on loans totaling $360,000 for the three months ended June 30, 2006, and 2005. Management believes all classified loans are adequately collateralized or reserved. However, there can be no assurance that the loan loss allowance will be adequate to absorb losses on known classified assets or that the allowance will be adequate to cover losses on classified assets in the future.

Other Income

Other income totaled $1.5 million for the three months ended June 30, 2006, a decrease of $169,000 or 10.3% from the comparable 2005 period. The decrease in other income was primarily attributable to a $105,000 or 420.0%, decrease in gain (loss) on sale of real estate acquired through foreclosure and a decrease of $99,000 or 55.3% in gain on sale of loans. The decreases were partially offset by the increase of $45,000 or 11.7% in service charges and other fees on deposits. The decrease in gain (loss) on sale of real estate was primarily due to losses on various non-owner occupied single family residences. The decrease in gain on sale of loans was due to the decrease in the volume of loans sold of $3.1 million or 16.5% from the volume of loans sold in the 2005 period. The increase in service charges and other fees on deposit was due to increased checking fees.

General, Administrative and Other Expense

General, administrative and other expense totaled $5.9 million for the three months ended June 30, 2006, an increase of $133,000 or 2.3% from the comparable period in 2005. The increase in general, administrative and other expense was due primarily to an increase of $132,000 or 3.9% in employee compensation and benefits, a $73,000 or 11.9% increase in FAS 91 deferred compensation and a $161,000 or 240.3% increase in employee franchise taxes, which were partially offset by a $153,000 or 10.1% decrease in other operating costs. The increase in employee compensation and benefits is due to several key hires within mid-management level of the Corporation as well as revenue generating commercial lenders in the markets we serve, merit increases and increases in health insurance. The increase in deferred compensation relates to FAS 91 and the decline in residential loan production. The increase in frachise tax was primarily due to incurring a normal level of expense after realizing a one-time savings which occurred in 2005 from acquiring London Financial corporation in August of 2004 when the bank changed charters to a state chartered commercial bank. The decrease in other operating costs was primarily due to the accrual of $275,000 in June of 2005 for settlement of litigation.

Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

Comparison of Results of Operations for the Three Months Ended June 30, 2006 and 2005 (continued)

Federal Income Taxes

The provision for federal income taxes totaled $802,000 for the three months ended June 30, 2006, a decrease of $151,000 or 15.8% compared to the three months ended June 30, 2005. This decrease was primarily attributable to a $376,000 or 12.6 decrease in pre-tax earnings. The Corporation s effective tax rates amounted to 30.7% and 31.8% for the three-month periods ended June 30, 2006 and 2005, respectively.

Liquidity and Capital Resources

Camco, like other financial institutions, is required under applicable federal regulations to maintain sufficient funds to meet deposit withdrawals, loan commitments and expenses. Liquid assets consist of cash and interest-bearing deposits in other financial institutions, investments and mortgage-backed securities. Management monitors and assesses liquidity needs daily in order to meet deposit withdrawals, loan commitments and expenses.

In the six months ended 2006, Camco Financial purchased 89,900 of its shares for a total cost of $1.3 million. The Corporation has continued the treasury buyback of shares as a means to better utilize capital.

The primary sources of funds include deposits, borrowings and principal and interest repayments on loans. Other funding sources included Federal Home Loan Bank advances and the sale of loans.

The following table sets forth information regarding the Bank s obligations and commitments to make future payments under contract as of June 30, 2006.

	Payments due by period				
	Less More 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
			(In thousands)		
Contractual obligations:					
Operating lease obligations	$ 97	$ 348	$ 263	$ 296	$ 1,004
Advances from the Federal Home Loan Bank	105,317	93,108	26,630	51,881	276,936
Certificates of deposit	285,856	121,668	17,463	854	425,841
Amount of commitments expiration per period Commitments to originate loans:					
Overdraft lines of credit	760				760
Home equity lines of credit	78,101				78,101
Commercial lines of credit/loans in process	11,259				11,259
One- to four-family and multi-family loans	39,038				39,038
Non-residential real estate and land loans	187				187
Total contractual obligations	**$ 520,615**	**$ 215,124**	**$ 44,356**	**$ 53,031**	**$ 833,126**

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

ITEM 3: Quantitative and Qualitative Disclosures about Market Risk

Management considers interest rate risk the Bank s most significant market risk. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. Consistency of the Bank s net interest income is largely dependent upon the effective management of interest rate risk.

To identify and manage its interest rate risk, the Bank employs an earnings simulation model to analyze net interest income sensitivity to changing interest rates. The model is based on actual cash flows and repricing characteristics and incorporates market-based assumptions regarding the effect of changing interest rates on the prepayment rates of certain assets and liabilities. The model also includes senior management projections for activity levels in each of the product lines offered by the Bank. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. Assumptions are inherently uncertain and the measurement of net interest income or the impact of rate fluctuations on net interest income cannot be precisely predicted. Actual results may differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

The Bank s Asset/Liability Management Committee (ALCO), which includes senior management representatives and reports to the Bank s Board of Directors, monitors and manages interest rate risk within Board-approved policy limits. The Bank s current interest rate risk position is determined by measuring the anticipated change in net interest income over a 12 month horizon assuming an instantaneous and parallel shift (linear) increase or decrease in all interest rates.

The following table shows the Bank s estimated earnings sensitivity profile as of June 30, 2006:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income 12 Months
+200	-7.95%
+100	-3.71%
-100	+1.02%
-200	-0.66%

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Camco Financial Corporation
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
For the six- and three-month periods ended June 30, 2006 and 2005

These estimated changes in net interest income are within the policy guidelines established by the Board of Directors.

The Bank s ALCO also monitors the economic value of equity (EVE) ratio, measured on a static basis at the current period end. The EVE ratio is calculated by dividing the economic value of equity by the economic value of total assets.

The following table shows the EVE ratios as of June 30, 2006:

Change in Interest Rates (basis points)	EVE Ratio
+200	5.91%
+100	6.86%
0	7.69%
-100	8.22%
-200	8.74%

ITEM 4: Controls and Procedures

(a) Camco s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the disclosure controls and procedures (as defined under Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934, as amended) as of June 30, 2006. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Camco s disclosure controls and procedures are effective.

(b) There were no changes in Camco s internal control over financial reporting during the quarter ended June 30, 2006, which materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

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Camco Financial Corporation
PART II

ITEM 1. Legal Proceedings

Not applicable

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

Period of Repurchase	Number of shares purchased	Average price paid per share	Maximum Number of Shares that May yet be Purchased Under the Program
April 1 April 30		N/A	376,836
May 1 31	20,500	$ 14.10	356,336
June 1 30	27,400	$ 14.03	328,936
Total	47,900	$ 14.06	328,936

All purchases of shares during the quarter related to the 5% stock repurchase program announced April 25, 2006. A program announced on April 26, 2005 to repurchase 5% of the outstanding shares was completed during the quarter.

ITEM 3. Defaults Upon Senior Securities

Not applicable

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

On April 25, 2006, Camco held its Annual Meeting of Stockholders. The only matter that was submitted to stockholders was the election of four directors for terms expiring in 2009, as follows:

	For	Withheld
Richard C. Baylor	6,156,272	113,474
Robert C. Dix	6,133,945	135,801
Paul D. Leake	6,147,932	121,814
Douglas F. Mock	6,148,663	121,083

The following directors terms continued after the meeting: Larry A. Caldwell, Terry A. Feick, Susan J. Insley, Carson K. Miller, Samuel W. Speck, Jeffrey T. Tucker and J. Timothy Young.

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits

Exhibit 31.1 Section 302 certification by Chief Executive Officer

Exhibit 31.2 Section 302 certification by Chief Financial Officer

Exhibit 32.1 Section 1350 certification by Chief Executive Officer

Exhibit 32.2 Section 1350 certification by Chief Financial Officer

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SIGNATURES

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

Date: August 4, 2006	By: /s/ Richard C. Baylor Richard C. Baylor Chief Executive Officer
Date: August 4, 2006	By: /s/ Mark A. Severson Mark A. Severson Chief Financial Officer