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Stockholders' equity totaled $98.6 million at December 31, 2002, a $3.4 million, or 3.6%, increase over December 31, 2001. The increase resulted primarily from net earnings of $10.0 million, proceeds from the exercise of stock options of $2.1 million and a $2.0 million increase in the unrealized gains on available for sale securities, which were partially offset by dividends of $4.1 million and purchases of treasury shares totaling $6.3 million. The Bank is required to maintain minimum regulatory capital pursuant to federal regulations. During 2002, management was notified by its supervisory regulators that Advantage was categorized as well-capitalized under the regulatory framework for prompt corrective action. At December 31, 2002, the Bank's regulatory capital exceeded all regulatory capital requirements. Comparison of Results of Operations for the Years Ended December 31, 2002 and December 31, 2001 General. Camco's net earnings for the year ended December 31, 2002, totaled $10.0 million, an increase of $1.5 million, or 17.1%, over the $8.5 million of net earnings reported in 2001. The increase in earnings was primarily attributable to a one-time charge of $950,000 in pre-tax expense related to the consolidation of the bank charters in the 2001 period and the recognition of a $112,000 reversal of this restructuring charge during the 2002 period. Additionally, net interest income increased by $1.5 million and other income increased by $2.9 million, while the provision for losses on loans increased by $410,000, general, administrative and other expense increased by $2.7 million (excluding the effects of the restructuring charge) and the provision for federal income taxes increased by $911,000. Income and expenses for 2002 include the effects of the acquisition of Columbia Financial, which was acquired by Camco in November 2001 in a transaction accounted for using the purchase method of accounting. -28- Net Interest Income. Total interest income for the year ended December 31, 2002, amounted to $66.0 million, a decrease of $8.4 million, or 11.3%, compared to 2001, generally reflecting the effects of a decrease of 110 basis points in the average yield, from 7.49% in 2001 to 6.39% in 2002, which was partially offset by a $39.4 million, or 4.0%, increase in the average balance of interest-earning assets outstanding year to year. Interest income on loans totaled $57.5 million for the year ended December 31, 2002, a decrease of $12.0 million, or 17.3%, from the comparable 2001 total. The decrease resulted primarily from a $77.7 million, or 8.7%, decrease in the average balance outstanding and a 72 basis point decrease in the average yield to 7.07% in 2002. Interest income on mortgage-backed securities totaled $4.5 million for the year ended December 31, 2002, a $3.5 million, or 327.1%, increase over the 2001 period. The increase was due primarily to an $81.6 million, or 439.7%, increase in the average balance outstanding, which was partially offset by a 119 basis point decrease in the average yield to 4.52% in 2002. Interest income on investment securities increased by $849,000, or 122.0%, due primarily to a $22.3 million increase in the average balance outstanding year to year, which was partially offset by a 144 basis point decline in the average yield to 4.55% in the 2002 period. Interest income on other interest-earning assets decreased by $700,000, or 22.2%, due primarily to a decrease in the yield of 150 basis points to 2.88% in 2002, which was partially offset by a $13.1 million, or 18.2%, increase in the average balance outstanding year to year. Interest expense on deposits totaled $23.1 million for the year ended December 31, 2002, a decrease of $8.3 million, or 26.4%, compared to the year ended December 31, 2001, due primarily to a 151 basis point decrease in the average cost of deposits, to 3.40% for 2002, which was partially offset by a $39.2 million, or 6.1%, increase in the average balance of interest-bearing deposits outstanding year to year. Interest expense on borrowings totaled $15.5 million for the year ended December 31, 2002, a decrease of $1.6 million, or 9.4%, from the 2001 period. The decrease resulted primarily from a $15.1 million, or 5.4%, decrease in the average balance outstanding year to year and a 26 basis point decrease in the average rate, to 5.83% in 2002. Decreases in the level of average yields on interest-earning assets and average cost of interest-bearing liabilities were due primarily to the overall decrease in interest rates in the economy during 2001 and 2002. As a result of the foregoing changes in interest income and interest expense, net interest income increased by $1.5 million, or 5.8%, to a total of $27.4 million for the year ended December 31, 2002. The interest rate spread increased to approximately 2.30% at December 31, 2002, from 2.22% at December 31, 2001, while the net interest margin increased to approximately 2.66% for the year ended December 31, 2002, compared to 2.61% for the 2001 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 $1.2 million for the year ended December 31, 2002, an increase of $410,000, or 54.0%, over the provision recorded in 2001. The 2002 provision generally reflects the $5.7 million increase in the level of nonperforming loans. The provision also reflects the increasing percentage of loans secured by nonresidential real estate and consumer loans in relation to total loans during 2002. Management believes all nonperforming loans are adequately collateralized, however, there can be no assurance that the loan loss allowance will be adequate to absorb losses on known nonperforming assets or that the allowance will be adequate to cover losses on nonperforming assets in the future. Other Income. Other income totaled $10.1 million for the year ended December 31, 2002, an increase of $2.9 million, or 41.2%, compared to 2001. The increase in other income was primarily attributable to a $1.0 million, or 22.2%, increase in gains on sale of loans, a $1.6 million increase in loan servicing fees and an increase of $262,000, or 8.4%, in late charges, rent and other. The increase in loan servicing fees was due primarily to a decrease in the level of amortization of mortgage servicing rights and due to the effects of a $1.3 million valuation allowance to recognize impairment on mortgage servicing rights recorded in the 2001 period, $640,000 of which was recovered in 2002, based upon the Corporation's ongoing fair value analysis of the mortgage servicing rights asset. The increase in gain on sale of loans was due primarily to an increase in the volume of loans sold of $25.3 million, or 11.7%, over the volume of loans sold in 2001. The increase in late charges, rent and other was due primarily to an increase in insurance fees, title premiums and other fees on loans and deposit transactions. -29- General, Administrative and Other Expense. General, administrative and other expense totaled $21.6 million for the year ended December 31, 2002, an increase of $1.7 million, or 8.4%, compared to 2001. The increase in general, administrative and other expense was due primarily to an increase of $2.3 million, or 28.9%, in employee compensation and benefits, a $287,000, or 9.0%, increase in occupancy and equipment, and an increase of $691,000, or 15.1%, in other operating expense, which were partially offset by the effects of a nonrecurring restructuring charge totaling $950,000 recorded in 2001 and the $112,000 restructuring credit recognized in 2002, as well as a $297,000, or 26.6% decrease in franchise taxes, a $167,000, or 12.4%, decrease in data processing and a $150,000 decrease in goodwill amortization. The increase in employee compensation and benefits was due primarily to the acquisition of the Columbia division, an increase in management staffing levels, an increase in incentive compensation and other benefit plan costs and normal merit compensation increases, which were partially offset by an increase in deferred loan origination costs related to the increase in lending volume year to year. Camco increased its management staffing complement year to year as it continues to implement its corporate strategy following the 2001 restructuring plan. The increase in occupancy and equipment resulted primarily from the inclusion of Columbia. The increase in other operating expense was due primarily to costs incurred at the Columbia division and increases in legal expense, costs associated with real estate acquired through foreclosure, office supplies and costs associated with the increase in lending volume year to year. The decrease in franchise tax expense reflects the effects of refund claims on prior year tax filings. The decrease in data processing was due primarily to efficiencies realized related to the consolidation of the Bank charters. The decrease in goodwill amortization was due to the adoption of SFAS No. 142, a new accounting standard which eliminates goodwill amortization. The restructuring credit resulted from severance charges recorded in 2001 that were not utilized due primarily to early terminations. Federal Income Taxes. The provision for federal income taxes totaled $4.8 million for the year ended December 31, 2002, an increase of $911,000, or 23.4%, compared to the provision recorded in 2001. This increase was primarily attributable to a $2.4 million, or 19.1%, increase in pre-tax earnings year to year and the 2001 receipt of refunds claimed for prior years' tax liabilities. The effective tax rate amounted to 32.4% and 31.3% for the years ended December 31, 2002 and 2001, respectively. Comparison of Results of Operations for the Years Ended December 31, 2001 and December 31, 2000 General. Increases in the level of income and expenses during the year ended December 31, 2001, compared to 2000, include the effects of the acquisition of Columbia Financial, which was acquired by Camco in November 2001 in a transaction accounted for using the purchase method of accounting. Camco's net earnings for the year ended December 31, 2001, totaled $8.5 million, an increase of $892,000, or 11.7%, over the $7.7 million of net earnings reported in 2000. The increase in earnings was primarily attributable to a $1.6 million increase in other income, which was partially offset by a $123,000 decrease in net interest income, a $191,000 increase in the provision for losses on loans, an increase in general, administrative and other expense of $368,000 and a $43,000 increase in the provision for federal income taxes. Net Interest Income. Total interest income for the year ended December 31, 2001, amounted to $74.4 million, a decrease of $1.3 million, or 1.7%, compared to 2000, generally reflecting the effects of a decrease of 37 basis points in the average yield, from 7.86% in 2000 to 7.49% in 2001, which was partially offset by a $30.7 million, or 3.2%, increase in the average balance of interest-earning assets outstanding year to year. The acquisition of Columbia Financial accounted for approximately $1.2 million of interest income recorded during 2001. Interest income on loans and mortgage-backed securities totaled $70.5 million for the year ended December 31, 2001, a decrease of $2.1 million, or 2.9%, compared to the 2000 total. The decrease resulted primarily from a $9.4 million, or 1.0%, decrease in the weighted-average balance outstanding and a 15 basis point decrease in the average yield, to 7.75% in 2001. Interest income on investments and interest-bearing deposits increased by $825,000, or 27.3%, due primarily to a $40.0 million, or 91.7%, increase in the weighted-average outstanding balance, which was partially offset by a 234 basis point decrease in the average yield, to 4.60% in 2001. Interest expense on deposits totaled $31.3 million for the year ended December 31, 2001, an increase of $2.5 million, or 8.5%, over the 2000 total. The increase was due to an increase in the weighted-average balance of deposits outstanding of $48.2 million, or 8.2% year to year, and a 2 basis point increase in the average cost of deposits, from 4.89% in 2000 to 4.91% in 2001. The -30- acquisition of Columbia Financial accounted for approximately $559,000 of the overall increase in interest expense in the 2001 period. Interest expense on borrowings totaled $17.1 million for the year ended December 31, 2001, a decrease of $3.6 million, or 17.5%, compared to 2000. The decrease resulted primarily from a $45.1 million, or 13.8%, decrease in the weighted-average balance of borrowings outstanding year to year and a decrease of 28 basis points in the weighted-average cost of borrowings, to 6.09% in 2001. As a result of the foregoing changes in interest income and interest expense, net interest income decreased by $123,000, or 0.5%, to a total of $25.9 million for the year ended December 31, 2001, compared to $26.1 million in 2000. The interest rate spread decreased to approximately 2.22% for the year ended December 31, 2001, from 2.45% for 2000, while the net interest margin decreased to approximately 2.61% in 2001, compared to 2.71% in 2000. Provision for Losses on Loans. Camco recorded a provision for losses on loans totaling $759,000 for the year ended December 31, 2001, an increase of $191,000, or 33.6%, over the provision recorded in 2000. The 2001 provision generally reflects the $3.2 million increase in the level of nonperforming loans, as well as a $3.7 million, or 34.9%, increase in loans greater than 30 days but less than 90 days delinquent year to year. The provision also reflects the $15.5 million, or 28.4%, increase in loans secured by nonresidential real estate during 2001. Other Income. Other income totaled $7.2 million for the year ended December 31, 2001, an increase of $1.6 million, or 29.2%, compared to 2000. The increase in other income was primarily attributable to a $2.5 million, or 120.2%, increase in gains on sale of loans and an increase of $1.1 million, or 52.1%, in late charges, rent and other, which were partially offset by a $2.1 million decrease in loan servicing fees. The increase in gains on sale of loans primarily reflects the increase in sales volume year to year. The increase in late charges, rent and other operating income was due primarily to an increase in revenues at Camco Title Insurance Agency and increased fees on loan and deposit accounts and transactions year to year. The decrease in loan servicing fees was due primarily to an increase in amortization and impairment charges related to the Bank's mortgage servicing rights asset ("MSRs"). During 2001, amortization of MSRs increased over 2000 by $931,000, or 154.6%, due primarily to prepayments of loans associated with refinancing activity during the lower interest rate environment. Additionally, Advantage recorded an impairment charge in 2001 totaling $1.3 million, based upon an independent appraisal of the MSRs. General, Administrative and Other Expense. General, administrative and other expense totaled $19.9 million for the year ended December 31, 2001, an increase of $368,000, or 1.9%, compared to 2000. Camco recorded a one-time restructuring charge of $950,000 in the second quarter of 2001, which was primarily related to compensation charges and professional fees related to Camco's restructuring to a single bank charter, which occurred in the second quarter of 2001. The consolidation of operations such as data processing began in July 2001, and total data processing conversion was completed in May 2002. Excluding of the effects of the restructuring charges, general, administrative and other expense decreased year to year by $582,000, or 3.0%, due primarily to a decrease in employee compensation and benefits of $1.1 million, or 11.9%, resulting primarily from a reduction in staffing levels, and an increase in deferred loan origination costs attendant to the increase in loan volume year to year. The decrease in employee compensation and benefits was partially offset by a $108,000, or 3.5%, increase in office occupancy and equipment expense, which was due to increased depreciation and increased building maintenance costs, and an increase in other operating expenses of $319,000, or 7.5%, primarily as a result of Camco's overall growth year to year. Federal Income Taxes. The provision for federal income taxes totaled $3.9 million for the year ended December 31, 2001, an increase of $43,000, or 1.1%, compared to the provision recorded in 2000. This increase was primarily attributable to a $935,000, or 8.1%, increase in pre-tax earnings year to year, partially offset by the receipt of refunds claimed for prior years' tax liabilities. The effective tax rate amounted to 31.3% and 33.5% for the years ended December 31, 2001 and 2000, respectively. -31- Yields Earned and Rates Paid The following table sets forth the weighted-average yields earned on Camco's interest-earning assets, the weighted-average interest rates paid on Camco's interest-bearing liabilities and the interest rate spread between the weighted-average yields earned and rates paid by Camco at the dates indicated. At December 31, 2002 2001 2000 Weighted-average yield on: Loan portfolio (1) 6.87% 7.28% 8.01% Investment portfolio (2) 3.40 3.61 6.82 Total interest-earning assets 6.52 6.63 7.92 Weighted-average rate paid on: Deposits 2.86 4.08 5.28 FHLB advances 5.63 6.02 6.20 Total interest-bearing liabilities 3.65 4.59 5.53 ---- ---- ---- Interest rate spread 2.87% 2.04% 2.39% ==== ==== ==== ---------------------------- (1) Includes loans held for sale and excludes the allowance for loan losses. (2) Includes earnings on FHLB stock and cash surrender value of life insurance. -32- Average Yield and Rate Analysis 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. Year ended December 31, 2002 2001 2000 ------------------------------ ----------------------------- ------------------------------ Average Interest Average Average Interest Average Average Interest Average outstanding earned/ yield/ outstanding earned/ yield/ outstanding earned/ yield/ balance paid rate balance paid rate balance paid rate (Dollars in thousands) Interest-earning assets: Loans receivable(1) $ 813,541 $57,478 7.07% $891,220 $69,461 7.79% $903,226 $71,524 7.92% Mortgage-backed securities(2) 100,165 4,523 4.52% 18,561 1,059 5.71 15,920 1,120 7.04 Investment securities 33,963 1,545 4.55% 11,621 696 5.99 17,529 1,141 6.51 Interest-bearing deposits and other interest-earning assets 85,189 2,456 2.88% 72,052 3,156 4.38 26,115 1,886 7.22 --------- --------- ------ ------- ------ ------ -------- ------ ------ Total interest-earning assets $1,032,858 66,002 6.39% $993,454 74,372 7.49 $962,790 75,671 7.86 ========= ======= ======= Interest-bearing liabilities: Deposits $ 677,800 23,060 3.49% $638,581 31,324 4.91 $590,418 28,869 4.89 FHLB advances 265,614 15,496 5.83% 280,747 17,109 6.09 325,805 20,740 6.37 --------- ------ ------ ------- ------ ------ ------- ------ ------ Total interest-bearing liabilities $ 943,414 38,556 4.09% $919,328 48,433 5.27 $916,223 49,609 5.41 ========= ------ ------ ======= ------ ------ ======= ------ ------ Net interest income/Interest rate spread $27,446 2.30% $25,939 2.22% $26,062 2.45% ====== ====== ====== ====== ====== ====== Net interest margin(3) 2.66% 2.61% 2.71% ====== ====== ====== Average interest-earning assets to average interest- bearing liabilities 109.48% 108.06 105.85% ====== ====== ====== ----------------------- (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. -33- Rate/Volume Analysis The following table describes the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected Camco's interest income and expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (change in volume multiplied by prior year rate), (ii) changes in rate (change in rate multiplied by prior year volume) and (iii) total changes in rate and volume. Year ended December 31, 2002 vs. 2001 2001 vs. 2000 Increase Increase (decrease) (decrease) due to due to Volume Rate Total Volume Rate Total (In thousands) Interest income attributable to: Loans receivable (1) $(5,781) $(6,202) $(11,983) $ (944) $(1,119) $(2,063) Mortgage-backed securities 3,729 (265) 3,464 170 (231) (61) Investment securities 1,052 (203) 849 (360) (85) (445) Interest-bearing deposits and other (2) 507 (1,207) (700) 2,251 (981) 1,270 ------ ----- ------- ----- ------ ------ Total interest income (493) (7,877) (8,370) 1,117 (2,416) (1,299) Interest expense attributable to: Deposits 1,825 (10,089) (8,264) 2,362 93 2,455 Borrowings (900) (713) (1,613) (2,775) (856) (3,631) ------ ------- ------- ----- ------ ------ Total interest expense 925 (10,802) (9,877) (413) (763) (1,176) ------ ------ ------- ------- ------ ------ Increase (decrease) in net interest income $(1,418) $ 2,925 $ 1,507 $ 1,530 $(1,653) $ (123) ===== ====== ====== ====== ======= ====== ----------------------------- (1) Includes loans held for sale. (2) Includes interest-bearing deposits. Item 7A. Quantitative and Qualitative Disclosures About Market Risk. The objective of the Bank's asset/liability management function is to maintain consistent growth in net interest income within the Bank's policy limits. This objective is accomplished through management of the Bank's balance sheet composition, liquidity, and interest rate risk exposures arising from changing economic conditions, interest rates and customer preferences. The goal of liquidity management is to provide adequate funds to meet changes in loan demand or unexpected deposit withdrawals. This is accomplished by maintaining liquid assets in the form of investment securities, maintaining sufficient unused borrowing capacity and achieving consistent growth in core deposits. Management considers interest rate risk the Bank's most significant market risk. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. Consistency of the Bank's net interest income is largely dependent upon the effective management of interest rate risk. To identify and manage its interest rate risk the Bank employs an earnings simulation model to analyze net interest income sensitivity to changing interest rates. The model is based on actual cash flows and repricing characteristics and incorporates market-based assumptions regarding the effect of changing interest rates on the prepayment rates of certain assets and liabilities. The model also includes 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 -34- 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 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 a 200 basis point (bp) instantaneous and parallel shift (linear) increase or decrease in all interest rates. Given the current federal funds rate of 1.25% at December 31, 2002, a linear 100bp decrease was modeled in the estimated earnings sensitivity profile in place of the linear 200bp decrease in accordance with the Bank's interest rate risk policy. Current policy limits this exposure to plus or minus 25% of net interest income for a 12-month horizon. The following table shows the Bank's estimated earnings sensitivity profile as of December 31, 2002: Change in Percentage Change in Interest Rates Net Interest Income (basis points) 12 Months +200 9.5% -100 (8.0%) Given a 200bp linear increase in the yield curve used in the simulation model, it is estimated net interest income for the Bank would increase by 9.5% over one year. A 100bp linear decrease in interest rates would decrease net interest income by 8.0% over one year. All of these estimated changes in net interest income are within the policy guidelines established by the Board of Directors. Management does not expect any significant adverse effect on net interest income in 2003 based on the composition of the portfolio and anticipated upward trends in rates. In order to reduce the exposure to interest rate fluctuations and to manage liquidity, the Bank has developed sale procedures for several types of interest-sensitive assets. Generally, all long-term, fixed-rate single family residential mortgage loans underwritten according to Federal Home Loan Mortgage Corporation or Federal National Mortgage Association guidelines are sold for cash upon origination. In 2002 and 2001, a total of $240.1 million and $215.3 million of such loans, respectively, were sold. -35- Item 8. Financial Statements and Supplementary Data. REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS Board of Directors Camco Financial Corporation We have audited the accompanying consolidated statements of financial condition of Camco Financial Corporation as of December 31, 2002 and 2001, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Camco Financial Corporation as of December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the years in the three year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. As more fully explained in Note A-8, the Corporation changed its method of accounting for goodwill as of January 1, 2002. /s/GRANT THORNTON LLP Cincinnati, Ohio January 31, 2003 -36- CAMCO FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION December 31, (In thousands, except share data) ASSETS 2002 2001 Cash and due from banks $ 20,215 $ 15,665 Interest-bearing deposits in other financial institutions 36,807 89,299 --------- --------- Cash and cash equivalents 57,022 104,964 Investment securities available for sale - at market 38,789 305 Investment securities held to maturity - at cost, approximate market value of $5,501 and $19,083 as of December 31, 2002 and

2001, respectively 5,368 18,872 Mortgage-backed securities available for sale - at market 97,332 6,975 Mortgage-backed securities held to maturity - at cost, approximate market value of $20,634 and $30,744 as of December 31, 2002 and 2001, respectively 20,000 30,765 Loans held for sale - at lower of cost or market 55,493 21,445 Loans receivable - net 741,465 850,001 Office premises and equipment - net 14,492 14,849 Real estate acquired through foreclosure 1,589 2,151 Federal Home Loan Bank stock - at cost 23,539 22,481 Accrued interest receivable 4,922 5,769 Prepaid expenses and other assets 2,130 4,779 Cash surrender value of life insurance 17,372 15,751 Goodwill - net of accumulated amortization 2,953 2,953 Prepaid federal income taxes 774 592 --------- --------- Total assets $1,083,240 $1,102,652 ========= ========= LIABILITIES AND STOCKHOLDERS' EQUITY Deposits $ 694,072 $ 730,075 Advances from the Federal Home Loan Bank 276,276 258,850 Advances by borrowers for taxes and insurance 3,509 3,860 Accounts payable and accrued liabilities 4,298 10,975 Dividends payable 1,046 962 Deferred federal income taxes 5,438 2,759 --------- --------- Total liabilities 984,639 1,007,481 Commitments - - Stockholders' equity Preferred stock - $1 par value; authorized 100,000 shares; no shares outstanding - - Common stock - $1 par value; authorized 14,900,000 shares; 8,311,145 and 8,137,039 shares issued at December 31, 2002 and 2001, respectively 8,311 8,137 Additional paid-in capital 54,063 51,722 Retained earnings - substantially restricted 42,497 36,621 Accumulated other comprehensive income - unrealized gains on securities designated as available for sale, net of related tax effects 2,098 107 Less 622,260 and 126,019 shares of treasury stock at December 31, 2002 and 2001, respectively - at cost (8,368) (1,416) --------- --------- Total stockholders' equity 98,601 95,171 --------- --------- Total liabilities and stockholders' equity $1,083,240 $1,102,652 ========= ========= The accompanying notes are an integral part of these statements. -37- CAMCO FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF EARNINGS For the years ended December 31, 2002, 2001 and 2000 (In thousands, except per share data) 2002 2001 2000 Interest income Loans $57,478 $69,461 $71,524 Mortgage-backed securities 4,523 1,059 1,120 Investment securities 1,545 696 1,141 Interest-bearing deposits and other 2,456 3,156 1,886 ------ ------ ------ Total interest income 66,002 74,372 75,671 Interest expense Deposits 23,060 31,324 28,869 Borrowings 15,496 17,109 20,740 ------ ------ ------ Total interest expense 38,556 48,433 49,609 ------ ------ ------ Net interest income 27,446 25,939 26,062 Provision for losses on loans 1,169 759 568 ------ ------ ------ Net interest income after provision for losses on loans 26,277 25,180 25,494 Other income (expense) Late charges, rent and other 3,374 3,112 2,046 Loan servicing fees (costs) 151 (1,421) 665 Service charges and other fees on deposits 1,014 838 733 Gain on sale of loans 5,540 4,532 2,058 Gain (loss) on investment and mortgage-backed securities transactions 29 - (37) Gain (loss) on sale of real estate acquired through foreclosure (8) 62 56 Gain on sale of premises and equipment - 30 15 ------ ------ ------ Total other income 10,100 7,153 5,536 General, administrative and other expense Employee compensation and benefits 10,168 7,887 8,948 Occupancy and equipment 3,459 3,172 3,064 Data processing 1,178 1,345 1,337 Advertising 794 705 720 Franchise taxes 821 1,118 1,059 Amortization of goodwill - 150 150 Other operating 5,262 4,571 4,252 Restructuring charges (credits) related to charter consolidation (112) 950 - ------ ------ ------ Total general, administrative and other expense 21,570 19,898 19,530 ------ ------ ------ Earnings before federal income taxes 14,807 12,435 11,500 Federal income taxes Current 3,149 2,715 2,102 Deferred 1,653 1,176 1,746 ------ ------ ------ Total federal income taxes 4,802 3,891 3,848 ------ ------ ------ NET EARNINGS $10,005 $ 8,544 $ 7,652 ====== ====== ====== EARNINGS PER SHARE Basic $1.27 $1.20 $1.11 ==== ==== ==== Diluted $1.25 $1.19 $1.10 ==== ==== ==== The accompanying notes are an integral part of these statements. -38- CAMCO FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME For the years ended December 31, 2002, 2001 and 2000 (In thousands) 2002 2001 2000 Net earnings $10,005 $8,544 $7,652 Other comprehensive income, net of tax: Unrealized holding gains on securities during the period, net of taxes of $1,035, $53 and $54 in 2002, 2001 and 2000, respectively 2,010 103 104 Reclassification adjustment for realized (gains) losses included in earnings, net of taxes (benefits) of $10 and $(13) for the years ended December 31, 2002 and 2000, respectively (19) - 24 ------ ----- ----- Comprehensive income $11,996 $8,647 $7,780 ====== ===== ===== Accumulated other comprehensive income $ 2,098 $ 107 $ 4 ====== ===== ===== The accompanying notes are an integral part of these statements. -39- CAMCO FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY For the years ended December 31, 2002, 2001 and 2000 (In thousands, except per share data) Unrealized gains (losses) on securities Additional designated Total Common paid-in Retained as available Treasury stockholders' stock capital earnings for sale stock equity Balance at January 1, 2000 $5,752 $30,351 $27,205 $ (124) $ (575) $62,609 Stock options exercised 1 7 - - - 8 Cash dividends declared - $0.48 per share - - (3,327) - - (3,327) Purchase of Westwood Homestead Financial Corporation 1,305 11,193 23 - (841) 11,680 Net earnings for the year ended December 31, 2000 - - 7,652 - - 7,652 Unrealized gains on securities designated as available for sale, net of related tax effects - - - 128 - 128 ----- ------ ------ ----- ------ ------ Balance at December 31, 2000 7,058 41,551 31,553 4 (1,416) 78,750 Stock options exercised 116 1,146 - - - 1,262 Cash dividends declared - $0.48 per share - - (3,476) - - (3,476) Net earnings for the year ended December 31, 2001 - - 8,544 - - 8,544 Purchase of Columbia Financial of Kentucky, Inc. 963 9,025 - - - 9,988 Unrealized gains on securities designated as available for sale, net of related tax effects - - - 103 - 103 ----- ------ ------ ----- ------ ------ Balance at December 31, 2001 8,137 51,722 36,621 107 (1,416) 95,171 Finalization of Columbia Financial acquisition - 432 - - (638) (206) Stock options exercised 174 1,909 - - - 2,083 Cash dividends declared - $0.525 per share - - (4,129) - - (4,129) Net earnings for the year ended December 31, 2002 - - 10,005 - - 10,005 Purchase of treasury shares - - - - (6,314) (6,314) Unrealized gains on securities designated as available for sale, net of related tax effects - - - 1,991 - 1,991 ----- ------ ------ ----- ------ ------ Balance at December 31, 2002 $8,311 $54,063 $42,497 $2,098 $(8,368) $98,601 ===== ====== ====== ===== ====== ====== The accompanying notes are an integral part of these statements. -40- CAMCO FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS For the years ended December 31, 2002, 2001 and 2000 (In thousands) 2002 2001 2000 Cash flows from operating activities: Net earnings for the year $ 10,005 $ 8,544 $ 7,652 Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: Amortization of goodwill - 150 150 Amortization of premiums and discounts on investment and mortgage-backed securities - net 828 87 19 Depreciation and amortization 1,714 1,655 1,610 Amortization of purchase accounting adjustments - net 242 303 13 Provision for losses on loans 1,169 759 568 Provision for losses on real estate acquired through foreclosure 131 - - Amortization of deferred loan origination fees (609) (683) (374) (Gain) loss on sale of real estate acquired through foreclosure 8 (62) (56) (Gain) loss on investment and mortgage-backed securities transactions (29) - 37 Gain on sale of office premises and equipment - (30) (15) Federal Home Loan Bank stock dividends (1,058) (1,367) (1,320) Gain on sale of loans (2,811) (2,194) (905) Loans originated for sale in the secondary market (274,597) (232,499) (120,503) Proceeds from sale of mortgage loans in the secondary market 243,360 217,483 120,356 Increase (decrease) in cash, net of acquisition of Westwood Homestead Financial Corporation and Columbia Financial of Kentucky, Inc., due to changes in: Accrued interest receivable 847 893 (972) Prepaid expenses and other assets 2,649 (2,921) (437) Accounts payable and other liabilities (6,537) 2,432 2,230 Federal income taxes Current (182) (248) (1,009) Deferred 1,653 1,176 1,746 ------- ------- ------- Net cash provided by (used in) operating activities (23,217) (6,522) 8,790 Cash flows provided by (used in) investing activities: Proceeds from maturities of investment securities 41,251 19,480 1,040 Proceeds from investment securities transactions 44 - - Purchase of investment securities designated as available for sale (64,942) - (17) Purchase of investment securities designated as held to maturity (1,048) (10,495) (840) Proceeds from sale of mortgage-backed securities designated as available for sale 1,087 - 5,045 Purchase of mortgage-backed securities designated as available for sale (113,125) - (5,087) Purchase of mortgage-backed securities designated as held to maturity - (15,228) - Principal repayments on mortgage-backed securities 34,377 4,865 2,608 Loan disbursements (297,668) (126,582) (237,956) Purchases of loans (3,181) (2,527) (3,552) Principal repayments on loans 408,446 271,195 176,055 Purchase of office premises and equipment - net (1,852) (1,711) (1,675) Proceeds from sale of office premises and equipment 355 119 35 Proceeds from sale of real estate acquired through foreclosure 651 1,806 505 Purchase of Federal Home Loan Bank stock - (100) (2,077) Proceeds from redemption of Federal Home Loan Bank stock - - 504 Additions to real estate acquired through foreclosure (12) (60) (25) Purchase of life insurance (825) (9,445) (80) Net increase in cash surrender value of life insurance (796) (307) (262) Purchase of Westwood Homestead Financial Corporation - - (1,879) Purchase of Columbia Financial of Kentucky, Inc. (206) (3,000) - ------- ------- ------- Net cash provided by (used in) investing activities 2,556 128,010 (67,658) ------- ------- ------- Net cash provided by (used in) operating and investing activities (balance carried forward) (20,661) 121,488 (58,868) ------- ------- ------- -41- CAMCO FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) For the years ended December 31, 2002, 2001 and 2000 (In thousands) 2002 2001 2000 Net cash provided by (used in) operating and investing activities (balance brought forward) $(20,661) $121,488 $(58,868) Cash flows provided by (used in) financing activities: Net increase (decrease) in deposits (36,003) 16,716 70,185 Proceeds from Federal Home Loan Bank advances 68,500 50,451 243,178 Repayment of Federal Home Loan Bank advances (51,151) (105,072) (244,123) Dividends paid on common stock (4,045) (3,346) (3,327) Proceeds from exercise of stock options 2,083 1,262 8 Purchase of treasury shares (6,314) - - Increase (decrease) in advances by borrowers for taxes and insurance (351) (604) 62 ------- ------- ------- Net cash provided by (used in) financing activities (27,281) (40,593) 65,983 -------

------- ------- Net increase (decrease) in cash and cash equivalents (47,942) 80,895 7,115 Cash and cash equivalents at beginning of year 104,964 24,069 16,954 ------- ------- ------- Cash and cash equivalents at end of year $ 57,022 $104,964 $ 24,069 ======= ======= ======= Supplemental disclosure of cash flow information: Cash paid during the year for: Interest on deposits and borrowings $ 38,387 $ 48,792 $ 48,952 ======= ======= ======= Income taxes $ 2,848 $ 3,528 $ 3,430 ======= ======= ======= Supplemental disclosure of noncash investing activities: Transfers from mortgage loans to real estate acquired through foreclosure $ 1,270 $ 3,208 $ 1,432 ======= ======= ======= Issuance of mortgage loans upon sale of real estate acquired through foreclosure $ 1,054 $ 1,182 $ 703 ======= ======= ======= Unrealized gains on securities designated as available for sale, net of related tax effects $ 1,991 $ 103 $ 128 ======= ======= ======= Recognition of mortgage servicing rights in accordance with SFAS No. 140 $ 2,729 $ 2,338 $ 1,153 ======= ======= ======= Supplemental disclosure of noncash financing activities: Dividends declared but unpaid $ 1,046 $ 962 $ 832 ======= ======= ======= Fair value of assets received in acquisition of: Westwood Homestead Financial Corporation $ - $ - $159,698 ======= ======= ======= Columbia Financial of Kentucky, Inc. $ - $110,422 $ - ======= ======= ======= The accompanying notes are an integral part of these statements. -42- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES During 2001, the Boards of Directors of Camco Financial Corporation ("Camco" or the "Corporation") and its wholly-owned subsidiaries, Cambridge Savings Bank ("Cambridge Savings"), Marietta Savings Bank ("Marietta Savings"), First Savings Bank of Washington Court House ("First Bank"), First Bank for Savings ("First Savings") and Westwood Homestead Savings Bank ("Westwood Homestead"), approved a business plan whereby the subsidiary banks consolidated charters and operations into one state savings bank charter under the name Advantage Bank. The combining of charters and operations resulted in the Corporation incurring a one-time after-tax restructuring charge totaling $627,000. Hereinafter, the consolidated financial statements use the terms "Advantage" or the "Bank" to describe all of the preexisting individual financial institutions owned by the Corporation. During 2001, Camco's Board of Directors approved a business combination that was completed in November 2001, whereby Columbia Financial of Kentucky, Inc. ("Columbia Financial"), the parent of Columbia Federal Savings Bank ("Columbia Federal"), was merged into Camco. Following the merger, Columbia Federal became a division of Advantage. The business combination was accounted for using the purchase method of accounting. Accordingly, the 2001 consolidated financial statements herein include the accounts of Columbia Federal only from the November 15, 2001 consummation date through December 31, 2001. The business activities of Camco are limited primarily to holding the common stock of the Bank and Camco Title Insurance Agency ("Camco Title") and one second tier subsidiary, Camco Mortgage Corporation. The Corporation's results of operations are economically dependent upon the results of Advantage's operations. Advantage conducts a general banking business within Ohio, West Virginia and northern Kentucky which consists of attracting deposits from the general public and applying those funds to the origination of loans for residential, consumer and nonresidential purposes. Advantage's profitability is significantly dependent on net interest income, which is the difference between interest income generated from interest-earning assets (i.e. loans and investments) and the interest expense paid on interest-bearing liabilities (i.e. customer deposits and borrowed funds). Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by Advantage can be significantly influenced by a number of factors, such as governmental monetary policy, that are outside of management's control. The consolidated financial information presented herein has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and general accounting practices within the financial services industry. In preparing financial statements in accordance with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from such estimates. The following is a summary of the Corporation's significant accounting policies which have been consistently applied in the preparation of the accompanying consolidated financial statements. 1. Principles of Consolidation The consolidated financial statements include the accounts of the Corporation and its wholly-owned and second tier subsidiaries. All significant intercompany balances and transactions have been eliminated. -43- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES (continued) 2. Investment Securities and Mortgage-Backed Securities The Corporation accounts for investment and mortgage-backed securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 requires that investments be categorized as held-to-maturity, trading, or available for sale. Securities classified as held-to-maturity are carried at cost only if the Corporation has the positive intent and ability to hold these securities to maturity. Trading securities and securities available for sale are carried at fair value with resulting unrealized gains or losses recorded to operations or stockholders' equity, respectively. Investment and mortgage-backed securities are classified as held-to-maturity or available for sale upon acquisition. Realized gains and losses on sales of securities are recognized using the specific identification method. 3. Loans Receivable Loans held in portfolio are stated at the principal amount outstanding, adjusted for deferred loan origination fees and costs, capitalized mortgage servicing rights and the allowance for loan losses. Interest is accrued as earned unless the collectibility of the loan is in doubt. Uncollectible interest on loans that are contractually past due is charged off, or an allowance is established based on management's periodic evaluation. The allowance is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments has returned to normal, in which case the loan is returned to accrual status. Loans held for sale are carried at the lower of cost (less principal payments received) or fair value (market value), calculated on an aggregate basis. At December 31, 2002, loans held for sale were carried at cost. At December 31, 2001, loans held for sale were carried at aggregate fair value, which resulted in the Bank's recognition of an unrealized loss of $28,000 on loans held for sale. The Corporation accounts for mortgage servicing rights in accordance with SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which requires that the Corporation recognize, as separate assets, rights to service mortgage loans for others, regardless of how those servicing rights are acquired. An institution that acquires mortgage servicing rights through either the purchase or origination of mortgage loans and sells those loans with servicing rights retained must allocate some of the cost of the loans to the mortgage servicing rights. SFAS No. 140 requires that capitalized mortgage servicing rights and capitalized excess servicing receivables be assessed for impairment. Impairment is measured based on fair value. The mortgage servicing rights recorded by the Bank, calculated in accordance with the provisions of SFAS No. 140, were segregated into pools for valuation purposes, using as pooling criteria the loan term and coupon rate. Once pooled, each grouping of loans was evaluated on a discounted earnings basis to determine the present value of future earnings that a purchaser could expect to realize from each portfolio. Earnings were projected from a variety of sources including loan servicing fees, interest earned on float, net interest earned on escrows, miscellaneous income, and costs to service the loans. The present value of future earnings is the "economic" value for the pool, i.e., the net realizable present value to an acquirer of the acquired servicing. -44- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 3. Loans Receivable (continued) The Corporation recorded amortization related to mortgage servicing rights totaling approximately $2.1 million, $1.5 million and $602,000, for the years ended December 31, 2002, 2001 and 2000, respectively. Additionally, the Corporation recorded an impairment charge on mortgage servicing rights totaling $1.3 million in 2001. During 2002, the Corporation recaptured approximately $640,000 of the impairment based upon an independent appraisal of the mortgage servicing rights. The carrying value of the Corporation's mortgage servicing rights, which approximated their fair value, totaled approximately $6.0 million and $4.7 million at December 31, 2002 and 2001, respectively. At December 31, 2002 and 2001, the Bank was servicing mortgage loans of approximately $575.4 million and $535.5 million, respectively, that have been sold to the Federal Home Loan Mortgage Corporation and other investors. 4. Loan Origination and Commitment Fees The Corporation accounts for loan origination fees and costs in accordance with SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases." Pursuant to the provisions of SFAS No. 91, all loan origination fees received, net of certain direct origination costs, are deferred on a loan-by-loan basis and amortized to interest income using the interest method, giving effect to actual loan prepayments. Additionally, SFAS No. 91 generally limits the definition of loan origination costs to the direct costs attributable to originating a loan, i.e., principally actual personnel costs. Fees received for loan commitments are deferred and amortized over the life of the related loan using the interest method. 5. Allowance for Loan Losses It is the Corporation's policy to provide valuation allowances for estimated losses on loans based upon past loss experience, current trends in the level of delinquent and problem loans, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions in the Bank's primary market areas. When the collection of a loan becomes doubtful, or otherwise troubled, the Corporation records a charge-off equal to the difference between the fair value of the property securing the loan and the loan's carrying value. Such provision is based on management's estimate of the fair value of the underlying collateral, taking into consideration the current and currently anticipated future operating or sales conditions. As a result, such estimates are particularly susceptible to changes that could result in a material adjustment to results of operations in the near term. Recovery of the carrying value of such loans is dependent to a great extent on economic, operating, and other conditions that may be beyond the Corporation's control. The Corporation accounts for impaired loans in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." SFAS No. 114 requires that impaired loans be measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or, as an alternative, at the loan's observable market price or fair value of the collateral. -45- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 5. Allowance for Loan Losses (continued) A loan is defined under SFAS No. 114 as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. In applying the provisions of SFAS No. 114, the Corporation considers its investment in one- to four-family residential loans and consumer installment loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. With respect to the Corporation's investment in multi-family, commercial and nonresidential loans, and its evaluation of any impairment thereon, such loans are generally collateral-dependent and as a result are carried as a practical expedient at the lower of cost or fair value. It is the Corporation's policy to charge off unsecured credits that are more than ninety days delinquent. Similarly, collateral-dependent loans which are more than ninety days delinquent are considered to constitute more than a minimum delay in repayment and are evaluated for impairment under SFAS No. 114 at that time. At December 31, 2002, the Corporation had one loan that was defined as impaired under SFAS No. 114, with a principal balance of $984,000 and a related allowance for losses of $282,000. The average balance of this loan during 2002 was $971,000. Interest income recognized on this loan during 2002 was $50,000. At December 31, 2001, the Corporation had no loans that would be defined as impaired under SFAS No. 114. 6. Real Estate Acquired Through Foreclosure Real estate acquired through foreclosure is carried at the lower of the loan's unpaid principal balance (cost) or fair value less estimated selling expenses at the date of acquisition. Real estate loss provisions are recorded if the fair value of the property subsequently declines below the amount determined at the recording date. In determining the lower of cost or fair value at acquisition, costs relating to development and improvement of property are capitalized. Costs relating to holding real estate acquired through foreclosure, net of rental income, are charged against earnings as incurred. 7. Office Premises and Equipment Office premises and equipment are carried at cost and include expenditures which extend the useful lives of existing assets. Maintenance, repairs and minor renewals are expensed as incurred. For financial reporting, depreciation and amortization are provided on the straight-line method over the useful lives of the assets, estimated to be ten to fifty years for buildings and improvements and three to twenty-five years for furniture, fixtures and equipment. An accelerated depreciation method is used for tax reporting purposes. 8. Goodwill Goodwill resulting from the acquisition of First Savings, totaling approximately $3.7 million, was being amortized over a twenty-five year period using the straight-line method for years prior to 2002. It was management's policy to periodically evaluate the carrying value of intangible assets in relation to the continuing earnings capacity of the acquired assets and assumed liabilities. -46- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 8. Goodwill (continued) In June 2001, the Financial Accounting Standards Board issued SFAS No. 142 "Goodwill and Intangible Assets," which prescribes accounting for all purchased goodwill and intangible assets. Pursuant to SFAS No. 142, acquired goodwill is not amortized, but is tested for impairment at the reporting unit level annually and whenever an impairment indicator arises. Goodwill has been assigned to Advantage Bank as the reporting unit that is expected to benefit from the goodwill. Camco evaluated the unamortized goodwill balance of $3.0 million during 2002 in accordance with the provisions of SFAS No. 142 via independent third-party appraisal. The evaluation showed no indication of impairment. The adoption of SFAS No. 142 has resulted in the elimination of annual goodwill amortization of approximately $150,000. The following table displays the pro forma effects on net earnings and earnings per share as if SFAS No. 142 had been applicable to the years ended December 31, 2001 and 2000. For the year ended December 31, 2002 2001 2000 (In thousands, except per share amounts) Reported net earnings $10,005 $8,544 $7,652 Add back: goodwill amortization - 150 150 ------ ----- ----- Adjusted net earnings $10,005 $8,694 $7,802 ====== ===== ===== Basic earnings per share: Reported net earnings $1.27 $1.20 $1.11 Goodwill amortization - .03 .02 ---- ---- ---- Adjusted net earnings $1.27 $1.23 $1.13 ==== ==== ==== Diluted earnings per share: Reported net earnings $1.25 $1.19 $1.10 Goodwill amortization - .02 .02 ---- ---- ---- Adjusted net earnings $1.25 $1.21 $1.12 ==== ==== ==== -47- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 9. Federal Income Taxes The Corporation accounts for federal income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." In accordance with SFAS No. 109, a deferred tax liability or deferred tax asset is computed by applying the current statutory tax rates to net taxable or deductible temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future periods. Deferred tax assets are recorded only to the extent that the amount of net deductible temporary differences or carryforward attributes may be utilized against current period earnings, carried back against prior years' earnings, offset against taxable temporary differences reversing in future periods, or utilized to the extent of management's estimate of future taxable income. A valuation allowance is provided for deferred tax assets to the extent that the value of net deductible temporary differences and carryforward attributes exceeds management's estimates of taxes payable on future taxable income. Deferred tax liabilities are provided on the total amount of net temporary differences taxable in the future. Deferral of income taxes results primarily from different methods of accounting for deferred loan origination fees and costs, mortgage servicing rights, Federal Home Loan Bank stock dividends, deferred compensation, the general loan loss allowance and the percentage of earnings bad debt deductions. A temporary difference is also recognized for depreciation expense computed using accelerated methods for federal income tax purposes. 10. 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 stock option. The computations were as follows for the years ended December 31: 2002 2001 2000 Weighted-average common shares outstanding (basic) 7,908,786 7,096,960 6,915,154 Dilutive effect of assumed exercise of stock options 97,094 93,546 42,277 --------- --------- --------- Weighted-average common shares outstanding (diluted) 8,005,880 7,190,506 6,957,431 ========= ========= ========= Options to purchase 65,441, 176,714 and 435,295 shares of common stock at respective weighted-average exercise prices of $14.83, $13.11 and $12.15 were outstanding at December 31, 2002, 2001 and 2000, respectively, but were excluded from the computation of diluted earnings per share for those years because the exercise price was greater than the average market price of the common shares. -48- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 11. Stock Option Plans Stockholders of the Corporation have approved four stock option plans. Under the 1972 Plan, 254,230 common shares were reserved for issuance to officers, directors, and key employees of the Corporation and its subsidiaries. The 1982 Plan reserved 115,824 common shares for issuance to employees of the Corporation and its subsidiaries. All of the stock options under the 1972 and 1982 Plans have been granted and were subject to exercise at the discretion of the grantees through 2002. Under the 1995 Plan, 161,488 shares were reserved for issuance. Under the 2002 Plan, 400,000 shares were reserved for issuance. Additionally, in connection with the acquisition of First Savings, the stock options of First Savings were converted into options to purchase 174,421 shares of the Corporation's stock at an exercise price of $7.38 per share, which expire in 2005. In connection with the 2000 acquisition of Westwood Homestead, 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 expire in 2008. The Corporation accounts for its stock option plans in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," which contains a fair-value based method for valuing stock-based compensation that entities may use, which 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. Alternatively, SFAS No. 123 permits entities to continue to account for stock options and similar equity instruments under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Entities that continue to account for stock options using APB Opinion No. 25 are required to make pro forma disclosures of net earnings and earnings per share, as if the fair-value based method of accounting defined in SFAS No. 123 had been applied. The Corporation utilizes APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for the plans. 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. 123, the Corporation's net earnings and earnings per share would have been reported as the pro forma amounts indicated below: 2002 2001 2000 (In thousands, except per share data) Net earnings As reported $10,005 $8,544 $7,652 Stock-based compensation, net of tax (4) (5) (16) ------ ----- ----- Pro-forma $10,001 $8,539 $7,636 ====== ===== ===== Earnings per share Basic As reported $1.27 $1.20 $1.11 Stock-based compensation, net of tax (.01) - - ---- ---- ---- Pro-forma $1.26 $1.20 $1.10 ==== ==== ==== Diluted As reported $1.25 $1.19 $1.10 Stock-based compensation, net of tax - - - ---- ---- ---- Pro-forma $1.25 $1.19 $1.10 ==== ==== ==== -49- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 11. Stock Option Plans (continued) 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 2002, 2001 and 2000: dividend yield of 3.84%, 4.07% and 2.51%, respectively; expected volatility of 16.34%, 17.06% and 17.69%, respectively; a risk-free interest rate of 2.00%, 3.00% and 5.00%, respectively, and an expected life of ten years for all grants. A summary of the status of the Corporation's stock option plans as of December 31, 2002, 2001 and 2000, and changes during the years ending on those dates is presented below: 2002 2001 2000 Weighted- Weighted- Weighted- average average average exercise exercise exercise Shares price Shares price Shares price Outstanding at beginning of year 503,005 $10.16 688,655 $10.53 369,523 $ 9.43 Granted 3,700 14.55 8,500 11.93 10,700 9.07 WHFC options - - - - 309,272 11.89 Exercised (174,106) 10.84 (115,656) 10.91 (840) 9.79 Forfeited (9,308) 11.91 (78,494) 12.50 - - ------- ----- ------- ----- ------- ----- Outstanding at end of year 323,291 $ 9.79 503,005 $10.16 688,655 $10.53 ======= ===== ======= ===== ======= ===== Options exercisable at year-end 323,291 $ 9.79 503,005 $10.16 688,655 $10.53 ======= ===== ======= ===== ======= ===== Weighted-average fair value of options granted during the year $ 1.36 $ 1.37 $ 2.24 ===== ===== ===== The following information applies to options outstanding at December 31, 2002: Number outstanding 244,703 Range of exercise prices $7.40 - $9.74 Number outstanding 78,588 Range of exercise prices $11.36 - $16.59 Weighted-average exercise price $9.79 Weighted-average remaining contractual life 4.0 years -50- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 12. Fair Value of Financial Instruments SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, whether or not recognized in the consolidated statement of financial condition, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. SFAS No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation. 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 and Mortgage-backed Securities: Fair values for investment securities and mortgage-backed securities are based on quoted market prices and dealer quotes. 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. Deposits: The fair values of deposits with no stated maturity, such as money market demand deposits, savings and NOW accounts, are deemed to equal the amount payable on demand as of December 31, 2002 and 2001. 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. Advances by Borrowers for Taxes and Insurance: The carrying amount of advances by borrowers for taxes and insurance is deemed to approximate fair value. -51- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 12. Fair Value of Financial Instruments (continued) 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, 2002 and 2001, the difference between the fair value and notional amount of loan commitments was not material. Based on the foregoing methods and assumptions, the carrying value and fair value of the Corporation's financial instruments are as follows: December 31, 2002 2001 Carrying Fair Carrying Fair value value value value (In thousands) Financial assets Cash and cash equivalents $ 57,022 $ 57,022 $ 104,964 $ 104,964 Investment securities 44,157 44,290 19,177 19,388 Mortgage-backed securities 117,332 117,966 37,740 37,719 Loans receivable 796,958 814,539 871,446 879,776 Federal Home Loan Bank stock 23,539 23,539 22,481 22,481 --------- --------- --------- --------- $1,039,008 $1,057,356 $1,055,808 $1,064,328 ========= ========= ========= ========= Financial liabilities Deposits $ 694,072 $ 704,428 $ 730,075 $ 743,329 Advances from the Federal Home Loan Bank 276,276 309,758 258,850 281,638 Advances by borrowers for taxes and insurance 3,509 3,509 3,860 3,860 --------- --------- --------- --------- $ 973,857 $1,017,695 $ 992,785 $1,028,827 ========= ========= ========= ========= 13. Cash and Cash Equivalents Cash and cash equivalents consist of cash and due from banks and interest-bearing deposits in other financial institutions with original maturities of three months or less. 14. Advertising Advertising costs are expensed when incurred. 15. Reclassifications Certain prior year amounts have been reclassified to conform to the 2002 consolidated financial statement presentation. -52- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 16. Effects of Recent Accounting Pronouncements In August 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 carries over the recognition and measurement provisions in SFAS No. 121. Accordingly, an entity must recognize an impairment loss if the carrying value of a long-lived asset or asset group (a) is not recoverable and (b) exceeds its fair value. Similar to SFAS No. 121, SFAS No. 144 requires an entity to test an asset or asset group for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. SFAS No. 144 differs from SFAS No. 121 in that it provides guidance on estimating future cash flows to test recoverability. An entity may use either a probability-weighted approach or best-estimate approach in developing estimates of cash flows to test recoverability. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. Management adopted SFAS No. 144 effective January 1, 2002, without material effect on the Corporation's financial condition or results of operations. In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 provides financial accounting and reporting guidance for costs associated with exit or disposal activities, including one-time termination benefits, contract termination costs other than for a capital lease, and costs to consolidate facilities or relocate employees. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. SFAS No. 146 is not expected to have a material effect on the Corporation's financial condition or results of operations. The FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions: An amendment of FASB Statements No. 72 and 144 and FASB Interpretation No 9," which removes acquisitions of financial institutions from the scope of SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions," except for transactions between mutual enterprises. SFAS No. 147 also requires that the acquisition of a less-than-whole financial institution, such as a branch, be accounted for as a business combination if the transferred assets and activities constitute a business. The adoption of SFAS No. 147 did not have a material impact on the Corporation's financial position or results of operations. In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -

Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for fiscal years beginning after December 15, 2002. The expanded annual disclosure requirements and the transition provisions are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. SFAS No. 148 is not expected to have a material effect on the Corporation's financial position or results of operations. -53- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued) 16. Effects of Recent Accounting Pronouncements (continued) In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Corporation is currently evaluating the impact of FIN 46 and expects no material effect on its financial statements. NOTE B - INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of investment securities at December 31, 2002 and 2001 are as follows: 2002 Gross Gross Estimated Amortized unrealized unrealized fair cost gains losses value (In thousands) Held to maturity: U.S. Government agency obligations $ 4,233 $ 73 $ - $ 4,306 Municipal bonds 1,135 60 - 1,195 ------ --- --- ------ Total investment securities held to maturity 5,368 133 - 5,501 Available for sale: U.S. Government agency obligations 35,557 447 - 36,004 Municipal bonds 2,414 65 16 2,463 Corporate equity securities 330 35 43 322 ------ --- --- ------ Total investment securities available for sale 38,301 547 59 38,789 ------ --- --- ------ Total investment securities $43,669 $680 $ 59 $44,290 ====== === === ====== 2001 Gross Gross Estimated Amortized unrealized unrealized fair cost gains losses value (In thousands) Held to maturity: U.S. Government agency obligations $18,682 $243 $ 34 $18,891 Municipal bonds 190 2 - 192 ------ --- --- ------ Total investment securities held to maturity 18,872 245 34 19,083 Available for sale: Corporate equity securities 245 89 29 305 ------ --- --- ------ Total investment securities $19,117 $334 $ 63 $19,388 ====== === === ====== -54- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE B - INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES (continued) The amortized cost and estimated fair value of investment securities at December 31, 2002 (including securities designated as available for sale) by contractual term to maturity are shown below. Estimated Amortized fair cost value (In thousands) Due in one year or less $ 3,106 $ 3,180 Due after one year through five years 36,133 36,571 Due after five years 4,100 4,217 ------ ------ Total investment securities 43,339 43,968 Corporate equity securities 330 322 ------ ------ Total $43,669 $44,290 ====== ====== During the years ended December 31, 2002 and 2000, proceeds from investment securities transactions totaled $44,000 and $180,000, respectively, resulting in gross realized gains of $27,000 and $5,000 in those respective years. The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of mortgage-backed securities at December 31, 2002 and 2001, are as follows: 2002 Gross Gross Estimated Amortized unrealized unrealized fair cost gains losses value (In thousands) Held to maturity: FNMA $ 11,831 $ 360 $ - $ 12,191 FHLMC 6,614 214 8 6,820 GNMA 1,546 66 - 1,612 Other 9 2 - 11 ------- ----- --- ------- Total mortgage-backed securities held to maturity 20,000 642 8 20,634 Available for sale: FNMA 55,255 1,821 - 57,076 FHLMC 35,633 779 8 36,404 GNMA 3,753 99 - 3,852 ------- ----- --- ------- Total mortgage-backed securities available for sale 94,641 2,699 8 97,332 ------- ----- --- ------- Total mortgage-backed securities $114,641 $3,341 $ 16 $117,966 ======= ===== === ======= -55- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE B - INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES (continued) 2001 Gross Gross Estimated Amortized unrealized unrealized fair cost gains losses value (In thousands) Held to maturity: FNMA $17,632 $ 96 $119 $17,609 FHLMC 11,069 51 38 11,082 GNMA 2,052 22 37 2,037 CMOs 3 - - 3 Other 9 4 - 13 ------ --- --- ------ Total mortgage-backed securities held to maturity 30,765 173 194 30,744 Available for sale: FHLMC 2,553 46 - 2,599 FNMA 1,250 16 - 1,266 GNMA 3,069 41 - 3,110 ------ --- --- ------ Total mortgage-backed securities available for sale 6,872 103 - 6,975 ------ --- --- ------ Total mortgage-backed securities $37,637 $276 $194 $37,719 ====== === === ====== The amortized cost of mortgage-backed securities, including those designated as available for sale at December 31, 2002, by contractual terms to maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may generally prepay obligations without prepayment penalties. Amortized cost (In thousands) Due within one year or less $ 74 Due after one year through five years 17,379 Due after five years through ten years 64,992 Due after ten years 32,196 -------- $114,641 ======= During the year ended December 31, 2002, the Bank sold mortgage-backed securities totaling $1.1 million resulting in gross realized gains of $7,000 and gross realized losses of $5,000. During the year ended December 31, 2000, the Bank sold mortgage-backed securities totaling $5.1 million resulting in gross realized losses of $42,000. -56- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE C - LOANS RECEIVABLE Loans receivable at December 31 consist of the following: 2002 2001 (In thousands) Conventional real estate loans: Existing residential properties $585,971 $683,611 Nonresidential real estate 71,908 70,239 Construction 33,122 42,666 Developed building lots 535 5,908 Consumer, education and other loans 69,898 69,116 ------- ------- Total 761,434 871,540 Less: Undisbursed portion of loans in process 13,089 15,343 Unamortized yield adjustments 1,390 1,940 Allowance for loan losses 5,490 4,256 ------- ------- Loans receivable - net $741,465 $850,001 ======= ======= As depicted above, the Corporation's lending efforts have historically focused on loans secured by existing residential properties, which comprise approximately $586.0 million, or 79%, of the total loan portfolio at December 31, 2002 and approximately $683.6 million, or 80%, of the total loan portfolio at December 31, 2001. Generally, such loans have been underwritten on the basis of no more than an 80% loan-to-value ratio, which has historically provided the Corporation with adequate collateral coverage in the event of default. Nevertheless, the Corporation, as with any lending institution, is subject to the risk that residential real estate values could deteriorate in its primary lending areas within Ohio, West Virginia, and northern Kentucky, thereby impairing collateral values. However, management believes that residential real estate values in the Corporation's primary lending areas are presently stable. The Bank, in the ordinary course of business, has granted loans to certain of its directors, executive officers, and their related interests. Such loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectibility. The aggregate dollar amount of these loans totaled approximately $459,000 and $1.6 million at December 31, 2002 and 2001, respectively. -57- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE D - ALLOWANCE FOR LOAN LOSSES Activity in the allowance for loan losses is summarized as follows for the years ended December 31: 2002 2001 2000 (In thousands) Balance at beginning of year $4,256 $2,906 $1,863 Provision for losses on loans 1,169 759 568 Charge-offs of loans (207) (735) (172) Recoveries 272 26 6 Allowance resulting from acquisitions - 1,300 641 ----- ----- ----- Balance at end of year $5,490 $4,256 $2,906 ===== ===== ===== Nonaccrual and nonperforming loans totaled approximately $13.6 million, $7.9 million and $4.7 million at December 31, 2002, 2001 and 2000, respectively. Interest income that would have been recognized had such nonaccrual loans performed pursuant to contractual terms totaled approximately $940,000, $278,000 and $188,000 for the years ended December 31, 2002, 2001 and 2000, respectively. NOTE E - OFFICE PREMISES AND EQUIPMENT Office premises and equipment at December 31 is summarized as follows: 2002 2001 (In thousands) Land $ 2,194 $ 2,194 Buildings and improvements 12,973 12,764 Furniture, fixtures and equipment 10,471 9,641 ------ ------ 25,638 24,599 Less accumulated depreciation and amortization 11,146 9,750 ------ ------ $14,492 $14,849 ====== ====== -58- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE F - DEPOSITS Deposit balances by type and weighted-average interest rate at December 31, 2002 and 2001, are summarized as follows: 2002 2001 Amount Rate Amount Rate (Dollars in thousands) Noninterest-bearing checking accounts $ 26,313 - % $ 29,903 - % NOW accounts 80,562 1.07 81,746 1.38 Money market demand accounts 116,206 2.51 64,539 3.59 Passbook and statement savings accounts 78,359 0.79 85,443 1.70 ------- ---- ------- ---- Total withdrawable accounts 301,440 1.46 261,631 1.86 Certificates of deposit

Original maturities of: Six months to one year 24,537 1.58 51,472 3.49 One to two years 79,172 2.82 136,859 5.29 Two to five years 179,711 4.96 163,226 5.95 Negotiated rate certificates 40,361 2.35 54,998 5.13 Individual retirement accounts 68,851 4.27 61,889 5.40 ------- ---- ------- ---- Total certificate accounts 392,632 3.93 468,444 5.32 ------- ---- ------- ---- Total deposits $694,072 2.86% $730,075 4.08% ======= ==== ======= ==== At December 31, 2002 and 2001, the Corporation had certificate of deposit accounts with balances in excess of $100,000 totaling $89.7 million and $123.3 million, respectively. Interest expense on deposits is summarized as follows for the years ended December 31: 2002 2001 2000 (In thousands) Certificate of deposit accounts $19,185 $26,706 $23,249 NOW accounts and money market demand accounts 3,015 3,059 3,265 Passbook and statement savings accounts 860 1,559 2,355 ------ ------ ------ $23,060 $31,324 $28,869 ====== ====== ====== The contractual maturities of outstanding certificates of deposit are summarized as follows at December 31: 2002 2001 Year ending December 31: (In thousands) 2002 $ - $312,484 2003 216,958 86,127 2004 74,662 36,764 2005 60,620 13,890 After 2005 40,392 19,179 ------- ------- Total certificate of deposit accounts $392,632 $468,444 ======= ======= -59- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE F - DEPOSITS (continued) At December 31, 2002 and 2001, certain savings deposits were collateralized by a pledge of investment securities, interest-bearing deposits in other banks and letters of credit with the Federal Home Loan Bank totaling $112.7 million and $78.8 million, respectively. NOTE G - ADVANCES FROM THE FEDERAL HOME LOAN BANK Advances from the Federal Home Loan Bank, collateralized at December 31, 2002, by pledges of certain residential mortgage loans totaling $386.7 million and the Bank's investment in Federal Home Loan Bank stock, are summarized as follows: Maturing year Interest rate ending December 31, 2002 2001 (Dollars in thousands) 5.33% - 7.31% 2002 $ - $ 24,693 2.48% - 8.20% 2003 14,109 9,650 3.72% - 8.20% 2004 11,388 5,854 4.43% - 7.60% 2005 10,516 4,050 5.05% - 6.40% 2006 5,062 1,559 5.36% - 6.95% 2007 5,624 5,020 3.11% - 7.17% Thereafter 229,577 208,024 ------- ------- $276,276 $258,850 ======= ======= Weighted-average interest rate 5.63% 6.02% ==== ==== NOTE H - FEDERAL INCOME TAXES A reconciliation of the effective tax rate to the federal statutory rate is summarized as follows: 2002 2001 2000 (In thousands) Federal income taxes computed at the expected statutory rate $5,082 $4,253 $3,925 Increase (decrease) in taxes resulting from: Amortization of goodwill - 51 51 Nontaxable dividend and interest income (33) (6) (4) Increase in cash surrender value of life insurance - net (274) (105) (89) Nondeductible expenses 36 29 27 Refunds of prior year taxes - (309) - Other (9) (22) (62) ----- ----- ----- Federal income tax provision per consolidated financial statements $4,802 $3,891 $3,848 ===== ===== ===== -60- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE H - FEDERAL INCOME TAXES (continued) The components of the Corporation's net deferred tax liability at December 31 are as follows: Taxes (payable) refundable on temporary differences at statutory rate: 2002 2001 (In thousands) Deferred tax liabilities: FHLB stock dividends $(2,905) $(2,396) Mortgage servicing rights (2,043) (1,593) Percentage of earnings bad debt deduction (112) (226) Book versus tax depreciation (528) (525) Original issue discount (1,156) (105) Purchase price adjustments (109) - Other liabilities, net (25) (49) Unrealized gains on securities designated as available for sale (1,081) (56) ------ ------ Total deferred tax liabilities (7,959) (4,950) Deferred tax assets: General loan loss allowance 1,867 1,447 Deferred income 363 68 Deferred compensation 282 457 Purchase accounting adjustments - 219 Other assets 9 - ------ ------ Total deferred tax assets 2,521 2,191 ------ ------ Net deferred tax liability $(5,438) $(2,759) ====== ====== For years prior to 1996, the Bank was allowed a special bad debt deduction generally limited to 8% of otherwise taxable income, subject to certain limitations based on aggregate loans and savings account balances at the end of the year. If the amounts that qualified as deductions for federal income taxes are later used for purposes other than for bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. The percentage of earnings bad debt deduction had accumulated to approximately $12.4 million as of December 31, 2002. The amount of the unrecognized deferred tax liability relating to the cumulative bad debt deduction was approximately $4.1 million at December 31, 2002. The Bank is required to recapture as taxable income approximately $1.9 million of its bad debt reserve, which represents post-1987 additions to the reserve, and is unable to utilize the percentage of earnings method to compute the reserve in the future. The Bank has provided deferred taxes for this amount and is amortizing the recapture of the bad debt reserve into taxable income over a six year period, which commenced in 1998. -61- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE I - COMMITMENTS The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers, including commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statement of financial condition. The contract or notional amounts of the commitments reflect the extent of the Bank's involvement in such financial instruments. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as those utilized for on-balance-sheet instruments. At December 31, 2002, the Bank had outstanding commitments to originate and purchase fixed-rate loans of approximately $8.7 million and adjustable-rate loans of approximately $1.9 million. Additionally, the Bank had unused lines of credit under home equity and other loans of $52.1 million at December 31, 2002, and stand by letters of credit of $167,000. Management believes that all loan commitments are able to be funded through cash flow from operations and existing liquidity. Fees received in connection with these commitments have not been recognized in earnings. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral on loans may vary but the preponderance of loans granted generally include a mortgage interest in real estate as security. The Corporation has entered into lease agreements for office premises and equipment under operating leases which expire at various dates through 2010. The following table summarizes minimum payments due under lease agreements by year: Year ending December 31, (In thousands) 2003 $159 2004 89 2005 52 2006 27 2007 and thereafter 345 --- $672 === Total rental expense under operating leases was approximately $251,000, $257,000 and $260,000 for the years ended December 31, 2002, 2001 and 2000, respectively. -62- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE J - REGULATORY CAPITAL Advantage Bank is subject to the regulatory capital requirements of the Federal Deposit Insurance Corporation (the "FDIC"). Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. The FDIC has adopted risk-based capital ratio guidelines to which Advantage is subject. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet commitments to four risk-weighting categories, with higher levels of capital being required for the categories perceived as representing greater risk. These guidelines divide the capital into two tiers. The first tier ("Tier 1") includes common equity, certain non-cumulative perpetual preferred stock (excluding auction rate issues) and minority interests in equity accounts of consolidated subsidiaries, less goodwill and certain other intangible assets (except mortgage servicing rights and purchased credit card relationships, subject to certain limitations). Supplementary ("Tier II") capital includes, among other items, cumulative perpetual and long-term limited-life preferred stock, mandatory convertible securities, certain hybrid capital instruments, term subordinated debt and the allowance for loan losses, subject to certain limitations, less required deductions. Savings banks are required to maintain a total risk-based capital ratio of 8%, of which 4% must be Tier 1 capital. The FDIC may, however, set higher capital requirements when particular circumstances warrant. Savings banks experiencing or anticipating significant growth are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels. During 2002, management was notified by the FDIC that Advantage was categorized as "well-capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well-capitalized" Advantage must maintain minimum capital ratios as set forth in the table that follows. As of December 31, 2002, management believes that the Bank met all capital adequacy requirements to which it was subject. As of December 31, 2002 To be "well- capitalized" under For capital prompt corrective Actual adequacy purposes action provisions Amount Ratio Amount Ratio Amount Ratio (Dollars in thousands) Total capital (to risk-weighted assets) $81,269 12.7% =>$51,067 =>8.0% =>$63,834 =>10.0% Tier I capital (to risk-weighted assets) $75,779 11.9% =>$25,533 =>4.0% =>$38,300 => 6.0% Tier I leverage $75,779 7.2% =>$42,365 =>4.0% =>$52,956 => 5.0% -63- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE J - REGULATORY CAPITAL (continued) As of December 31, 2001 To be "well- capitalized" under For capital prompt corrective Actual adequacy purposes action provisions Amount Ratio Amount Ratio Amount Ratio (Dollars in thousands) Total capital (to risk-weighted assets) $88,017 12.5% =>$56,346 =>8.0% =>$70,433 =>10.0% Tier I capital (to risk-weighted assets) $83,761 11.9% =>$28,173 =>4.0% =>$42,260 => 6.0% Tier I leverage $83,761 7.6% =>$43,868 =>4.0% =>$54,835 => 5.0% The Corporation's management believes that, under the current regulatory capital regulations, the Bank will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of the Corporation, such as increased interest rates or a downturn in the economy in the Bank's market areas, could adversely affect future earnings and, consequently, the ability to meet future minimum regulatory capital requirements. NOTE K - BENEFIT PLANS The Corporation has a non-contributory retirement plan which provides benefits to certain key officers. The Corporation's obligations under the plan have been provided for via the purchase of single premium key man life insurance of which the Corporation is the beneficiary. The Corporation recorded expense related to the plan totaling approximately $296,000, $73,000 and $67,000 during the years ended December 31, 2002, 2001 and 2000, respectively. The Corporation also has a 401(k) Salary Savings Plan covering substantially all employees. Contributions by the employees are voluntary and are subject to matching contributions by the employer under a fixed percentage, which may be increased at the discretion of the Board of Directors. Total expense under this plan was $328,000, $385,000 and $334,000 for the years ended December 31, 2002, 2001 and 2000, respectively. -64- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE L - CAMCO FINANCIAL CORPORATION CONDENSED FINANCIAL INFORMATION The following condensed financial statements summarize the financial position of the Corporation as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the years ended December 31, 2002, 2001 and 2000: CAMCO FINANCIAL CORPORATION STATEMENTS OF FINANCIAL CONDITION December 31, (In thousands) 2002 2001 ASSETS Cash in Bank subsidiary $ 333 $ 271 Interest-bearing deposits in other financial institutions 14,981 7,584 Investment securities designated as available for sale 322 305 Investment in Bank subsidiary 81,437 87,251 Investment in title agency subsidiary 831 1,100 Office premises and equipment - net 1,425 1,786 Cash surrender value of life insurance 1,103 1,054 Prepaid expenses and other assets - 1,946 ------- ------- Total assets $100,432 $101,297 ======= ======= LIABILITIES AND STOCKHOLDERS' EQUITY Accounts payable and other accrued liabilities $ 472 $ 4,812 Dividends payable 1,046 962 Accrued federal income taxes 296 337 Deferred federal income taxes 17 15 ------- ------- Total liabilities 1,831 6,126 Stockholders' equity Common stock 8,311 8,137 Additional paid-in capital 54,063 51,722 Retained earnings - substantially restricted 42,497 36,621 Unrealized gains on securities designated as available for sale, net of related tax effects 2,098 107 Treasury stock, at cost (8,368) (1,416) ------- ------- Total stockholders' equity 98,601 95,171 ------- ------- Total liabilities and stockholders' equity $100,432 $101,297 ======= ======= -65- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE L - CAMCO FINANCIAL CORPORATION CONDENSED FINANCIAL INFORMATION (continued) CAMCO FINANCIAL CORPORATION STATEMENTS OF EARNINGS Year ended December 31, (In thousands) 2002 2001 2000 Income Dividends from the Bank $18,006 $9,615 $6,950 Dividends from title agency subsidiary 750 - - Interest and other income 146 173 159 (Excess distribution from) undistributed net earnings of the Bank (7,643) (306) 1,836 (Excess distribution from) undistributed earnings of the title agency subsidiary (270) 406 113 ------ ----- ----- Total income 10,989 9,888 9,058 General, administrative and other expense 1,451 2,237 2,092 ------ ----- ----- Earnings before federal income tax credits 9,538 7,651 6,966 Federal income tax credits (467) (893) (686) ------ ----- ----- Net earnings $10,005 $8,544 $7,652 ====== ===== ===== -66- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE L - CAMCO FINANCIAL CORPORATION CONDENSED FINANCIAL INFORMATION (continued) CAMCO FINANCIAL CORPORATION STATEMENTS OF CASH FLOWS Year ended December 31, (In thousands) 2002 2001 2000 Cash flows from operating activities: Net earnings for the year $10,005 $ 8,544 $7,652 Adjustments to reconcile net earnings to net cash flows provided by (used in) operating activities: Excess distribution from (undistributed net earnings of) Bank subsidiary 7,643 306 (1,836) Excess distribution from (undistributed net earnings of) title agency subsidiary 270 (406) (113) Depreciation and amortization 112 125 87 Increase (decrease) in cash due to changes in: Prepaid expenses and other assets 1,946 (1,710) 421 Accounts payable and other liabilities (4,340) 4,431 351 Accrued federal income taxes (41) (40) 187 Deferred federal income taxes 25 51 (15) Other - net - 14 (22) ------ ------ ----- Net cash provided by operating activities 15,620 11,315 6,712 Cash flows from investing activities: Purchase of investment securities (102) - (17) Proceeds from redemption of available for sale securities 17 - - Net increase in cash surrender value of life insurance (49) (49) (48) Purchase of office premises and equipment (98) (381) (374) Proceeds from sale of office premises and equipment 347 247 - Increase in interest-bearing deposits in other financial institutions (7,397) (6,209) (758) Purchase of Westwood Homestead Financial Corporation - net - - (1,879) Purchase of Columbia Financial of Kentucky, Inc. - net - (3,000) - ------ ------ ----- Net cash used in investing activities (7,282) (9,392) (3,076) Cash flows from financing activities: Stock options exercised 2,083 1,262 8 Dividends paid (4,045) (3,476) (3,327) Purchase of treasury shares (6,314) - - ------ ------ ----- Net cash used in financing activities (8,276) (2,214) (3,319) ------ ------ ----- Net increase (decrease) in cash and cash equivalents 62 (291) 317 Cash and cash equivalents at beginning of year 271 562 245 ------ ------ ----- Cash and cash equivalents at end of year $ 333 $ 271 $ 562 ====== ====== ===== -67- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE M - RESTRUCTURING CHARGE In June 2001, Camco recorded a restructuring charge related to the consolidation of its banking subsidiaries' charters. The restructuring charge was recorded to accrue for termination of 22 accounting and loan servicing employees and disbanding local boards of directors. Through December 31, 2002, fourteen of the identified employees had been terminated. The remaining employees either terminated prior to the consolidation of the banking subsidiaries or transferred to other departments. The following table summarizes activity related to the restructuring charge: Employee Occupancy compensation and Other and benefits equipment operating Total (In thousands) Original restructuring charge $643 $150 $295 $1,088 Restructuring charge reversed in 2001 (14) (56) (68) (138) --- --- --- ----- Net restructuring charge 629 94 227 950 Payments (388) (94) (227) (709) --- --- --- ----- Remaining accrued restructuring charge at December 31, 2001 241 - - 241 Payments (109) - - (109) Restructuring charge reversed in 2002 (112) - - (112) --- --- --- ----- Accrued restructuring charge at December 31, 2002 $ 20 $ - $ - $ 20 === === === ===== NOTE N - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) The following table summarizes the Corporation's quarterly results for the years ended December 31, 2002 and 2001. Three Months Ended March 31, June 30, September 30, December 31, 2002: (In thousands, except per share data) Total interest income $16,879 $17,049 $16,461 $15,613 Total interest expense 10,266 9,725 9,528 9,037 ------ ------ ------ ------ Net interest income 6,613 7,324 6,933 6,576 Provision for losses on loans 207 207 338 417 Other income 2,253 2,104 2,684 3,059 General, administrative and other expense 5,139 5,573 5,559 5,299 ------ ------ ------ ------ Earnings before income taxes 3,520 3,648 3,720 3,919 Federal income taxes 1,145 1,178 1,190 1,289 ------ ------ ------ ------ Net earnings $ 2,375 $ 2,470 $ 2,530 $ 2,630 ====== ====== ====== ====== Earnings per share: Basic $0.30 $0.31 $0.32 $0.34 ==== ==== ==== ==== Diluted $0.29 $0.31 $0.32 $0.33 ==== ==== ==== ==== -68- CAMCO FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) December 31, 2002, 2001 and 2000 NOTE N - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) (continued) Three Months Ended March 31, June 30, September 30, December 31, 2001: (In thousands, except per share data) Total interest income $19,440 $19,030 $18,083 $17,819 Total interest expense 12,748 12,451 11,821 11,413 ------ ------ ------ ------ Net interest income 6,692 6,579 6,262 6,406 Provision for losses on loans 156 150 152 301 Other income 1,407 1,496 1,920 2,330 General, administrative and other expense 4,717 5,798 4,556 4,827 ------ ------ ------ ------ Earnings before income taxes 3,226 2,127 3,474 3,608 Federal income taxes 1,090 593 1,122 1,086 ------ ------ ------ ------ Net earnings $ 2,136 $ 1,534 $ 2,352 $ 2,522 ====== ====== ====== ====== Earnings per share: Basic $.31 $.22 $.34 $.33 === === === === Diluted $.30 $.22 $.34 $.33 === === === === -69- Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. Not applicable. PART III Item 10. Directors and Executive Officers of the Registrant. The information contained under the captions "Election of Directors," "Incumbent Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for the 2003 Annual Meeting of Stockholders filed by Camco on March 14, 2003 (the "Proxy Statement") is incorporated herein by reference. Item 11. Executive Compensation. The information contained in the Proxy Statement under the caption, "Board Meetings, Committees and Compensation" and

"Compensation of Executive Officers" is incorporated herein by reference. Item 12. Security Ownership of Certain Beneficial Owners and Management. The information contained in the Proxy Statement under the caption "Ownership of Camco Shares" is incorporated herein by reference. Camco maintains the Camco Financial Corporation 1995 Stock Option and Incentive Plan, the First Ashland Financial Corporation 1995 Stock Option and Incentive Plan, the Westwood Homestead Financial Corporation 1997 Stock Option Plan and the Camco Financial Corporation 2002 Equity Incentive Plan (collectively, the "Plans") under which it may issue equity securities to its directors, officers and employees in exchange for goods or services. Each of the Plans was approved by Camco's stockholders. The following table shows, as of December 31, 2002, the number of common shares issuable upon the exercise of outstanding stock options, the weighted average exercise price of those stock options, and the number of common shares remaining for future issuance under the Plans, excluding shares issuable upon exercise of outstanding stock options. Equity Compensation Plan Information -- (a) (b) (c) -- Number of securities remaining available for Number of securities future issuance under to be issued upon Weighted-average equity compensation plans exercise of exercise price of (excluding securities Plan Category outstanding options outstanding options reflected in column (a)) ------------ ------------------ ------------------ ------------------------ -- Equity compensation plans approved by security holders..................... 323,291 $9.79 460,655 -- -70- Item 13. Certain Relationships and Related Transactions. Advantage makes loans to executive officers and directors of Camco and its subsidiaries in the ordinary course of business and on the same terms and conditions, including interest rates and collateral, as those of comparable loans to other persons. All outstanding loans to executive officers and directors were made pursuant to such policy, do not involve more than the normal risk of collectibility or present other unfavorable features and are current in their payments. Item 14. Controls and Procedures. (a) Camco's Chief Executive Officer and Chief Financial Officer evaluated 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 a date within ninety days of the filing date of this annual report. 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 significant changes in Camco's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. PART IV Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K. (a) Exhibits. 3(i) Certificate of Incorporation 3(ii) Bylaws 10(i) Employment Agreement between Camco and Richard C. Baylor 10(ii) Employment Agreement between Camco and Larry A. Caldwell 21 Subsidiaries of Camco 23(i) Consent of Grant Thornton LLP regarding Camco's Consolidated Financial Statements and Form S-8 23(ii) Consent of Crowe, Chizek and Company LLP regarding Camco Financial and Subsidiaries Salary Savings Plan Financial Statements and Form S-8 99.1 2002 Financial Statements of the Camco Financial and Subsidiaries Salary Savings Plan 99.2 Certification of Chief Executive Officer 99.3 Certification of Chief Financial Officer (b) Reports on Form 8-K. Camco filed a Form 8-K on January 27, 2003, disclosing its earnings release for the quarter and year ended December 31, 2002. -71- SIGNATURES Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. Camco Financial Corporation By /s/ Richard C. Baylor --- Richard C. Baylor, President, Chief Executive Officer and a Director Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. By /s/ Larry A. Caldwell By /s/ Robert C. Dix, Jr. ---------------------- ---------------------- Larry A. Caldwell Robert C. Dix, Jr., Chairman and Director Director Date: March 28, 2003 Date: March 28, 2003 By /s/ Samuel W. Speck By /s/ Paul D. Leake ---------------------- ---------------------- Samuel W. Speck, Paul D. Leake, Director Director Date: March 28, 2003 Date: March 28, 2003 By /s/ Jeffrey T. Tucker By /s/ Terry A. Feick ---------------------- ---------------------- Jeffrey T. Tucker, Terry A. Feick, Director Director Date: March 28, 2003 Date: March 28, 2003 By /s/ Carson K. Miller By /s/ Susan J. Insley ---------------------- ---------------------- Carson K. Miller, Susan J. Insley, Director Director Date: March 28, 2003 Date: March 28, 2003 By /s/ Mark A. Severson ---------------------- Mark A. Severson, Chief Financial Officer Date: March 28, 2003 -72- CERTIFICATION I, Richard C. Baylor, certify that: 1. I have reviewed this annual report on Form 10-K of Camco

Financial Corporation; 2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; 3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report; 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have: a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared; b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions): a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and 6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. Date: March 28, 2003 /s/Richard C. Baylor ------------------------------ Richard C. Baylor Chief Executive Officer CERTIFICATION I, Mark A. Severson, certify that: 1. I have reviewed this annual report on Form 10-K of Camco Financial Corporation; 2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; 3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report; 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have: a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared; b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions): a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and 6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. Date: March 28, 2003 /s/Mark A. Severson --------------------------- Mark A. Severson Chief Financial Officer INDEX TO EXHIBITS ITEM DESCRIPTION Exhibit 3(i) Third Restated Certificate of Incorporated by reference to Camco's Incorporation of Camco Financial Annual Report on Form 10-K for the Corporation, as amended fiscal year ended December 31, 1999 ("1999 Form 10-K"), Exhibit 3(i) Exhibit 3(ii) 1987 Amended and Restated Incorporated by reference to Camco's By-Laws of Camco Financial 2002 Proxy Statement filed with the Corporation SEC on April 22, 2002 ("2002 Proxy"), Exhibit

3(ii) Exhibit 10(i) Employment Agreement dated Incorporated by reference to Camco's January 1, 2001, by and between 2002 Proxy, Exhibit 10(i) Camco Financial Corporation and Richard C. Baylor Exhibit 10(ii) Employment Agreement dated Incorporated by reference to Camco's November 9, 2001, by and between 2002 Proxy, Exhibit 10(ii) Camco Financial Corporation and Larry A. Caldwell Exhibit 21 Subsidiaries of Camco Exhibit 23(i) Consent of Grant Thornton LLP regarding Camco's Consolidated Financial Statements and Form S-8 Exhibit 23(ii) Consent of Crowe, Chizek and Company LLP regarding Camco Financial & Subsidiaries Salary Savings Plan Financial Statements and Form S-8 Exhibit 99.1 2002 Financial Statements of the Camco Financial & Subsidiaries Salary Savings Plan Exhibit 99.2 Certification of Chief Executive Officer Exhibit 99.3 Certification of Chief Financial Officer