

CAMCO FINANCIAL CORP

Form 11-K

June 27, 2007

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2006**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 000-16614**

**A. Full title of the plan and the address of the plan, if different from that of the issuer named below:**

**CAMCO FINANCIAL & SUBSIDIARIES SALARY SAVINGS PLAN**

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:**

**Camco Financial Corporation**

**6901 Glenn Highway**

**Cambridge, Ohio 43725**

**REQUIRED INFORMATION**

The following financial statements and supplemental schedules for Camco Financial and Subsidiaries Salary Savings Plan are being filed herewith:

Description

Contents of Financial Statements  
Report of Independent Auditors  
Statements of Net Assets Available for Benefits  
Statement of Changes in Net Assets Available for Benefits  
Notes to Financial Statements  
Schedule H, Line 4i Schedule of Assets  
(Held at End of Year)

The following exhibits are being filed herewith:

| Exhibit No. | Description  |
|-------------|--|
| 23          | Consent of Independent Registered Public Accounting Firm |

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**Camco Financial & Subsidiaries  
Salary Savings Plan**

**Financial Report  
December 31, 2006**

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**Camco Financial & Subsidiaries Salary Savings Plan**

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| <b>Schedule of Assets Held at End of Year</b>                    | Schedule 1      |

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Report of Independent Registered Public Accounting Firm

To the Plan Administrator  
Camco Financial & Subsidiaries Salary Savings Plan  
Cambridge, Ohio

We have audited the accompanying statement of net assets available for benefits of Camco Financial & Subsidiaries Salary Savings Plan as of December 31, 2006 and 2005 and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 net assets available for benefits of the Plan as of December 31, 2006 and 2005 and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets held at end of year as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

s/s Plante & Moran, PLLC

Columbus, Ohio  
June 21, 2007

**Camco Financial & Subsidiaries Salary Savings Plan****Statement of Net Assets Available for Benefits**

|   | December 31          |                      |
|---|----------------------|----------------------|
|   | 2006                 | 2005                 |
| <b>Assets</b>   |                      |                      |
| Cash  | \$ 81,734            | \$ 36,315            |
| Nonparticipant-directed investments   |                      |                      |
| Employer securities   | 294,281              | 439,547              |
| Participant-directed investments:   |                      |                      |
| Money market funds  | 75                   | 11,379               |
| Common collective funds   | 411,027              | 429,653              |
| Mutual funds  | 8,956,789            | 7,741,378            |
| Employer securities   | 3,204,000            | 3,914,113            |
| Participant loans   | 150,993              | 118,689              |
| <br>  |                      |                      |
| Total investments   | 13,017,165           | 12,654,759           |
| <br>  |                      |                      |
| <b>Net Assets Available for Benefits at Fair Value</b>  | <b>13,098,899</b>    | <b>12,691,074</b>    |
| <br>  |                      |                      |
| <b>Adjustment from Fair Value to Contract Value for Interest in Common Collective Trust Funds Relating to Fully Benefit-responsive Investment Contracts</b> | <b>7,920</b>         | <b>8,829</b>         |
| <br>  |                      |                      |
| <b>Net Assets Available for Benefits</b>  | <b>\$ 13,106,819</b> | <b>\$ 12,699,903</b> |

See Notes to Financial Statements.

**Camco Financial & Subsidiaries Salary Savings Plan****Statement of Changes in Net Assets Available for Benefits  
Year Ended December 31, 2006****Additions**

## Contributions:

|                      |                   |    |         |
|----------------------|-------------------|----|---------|
| Participant-directed | Employee elective | \$ | 649,536 |
| Participant-directed | Employer matching |    | 292,123 |
| Participant-directed | Rollover          |    | 615,456 |

## Interest and dividends:

|                         |  |  |         |
|-------------------------|--|--|---------|
| Nonparticipant-directed |  |  | 14,886  |
| Participant-directed    |  |  | 582,419 |

## Net appreciation (depreciation) in fair value of investments:

|  |  |  |           |
|--|--|--|-----------|
| Nonparticipant-directed employer securities  |  |  | (77,622)  |
| Participant-directed mutual funds            |  |  | 650,622   |
| Participant-directed common collective funds |  |  | 16,004    |
| Participant-directed employer securities     |  |  | (370,718) |
| Participant-directed other income            |  |  | 32,334    |

|                 |     |  |           |
|-----------------|-----|--|-----------|
| Total additions | Net |  | 2,405,040 |
|-----------------|-----|--|-----------|

**Deductions**

## Benefit payments to participants:

|                         |                      |  |           |
|-------------------------|----------------------|--|-----------|
| Nonparticipant-directed |                      |  | 82,523    |
| Participant-directed    |                      |  | 1,863,976 |
| Administrative expenses | Participant-directed |  | 51,625    |

|                  |  |  |           |
|------------------|--|--|-----------|
| Total deductions |  |  | 1,998,124 |
|------------------|--|--|-----------|

|  |  |  |                |
|--|--|--|----------------|
| <b>Net Increase in Net Assets Available for Benefits</b> |  |  | <b>406,916</b> |
|--|--|--|----------------|

|  |                   |  |            |
|--|-------------------|--|------------|
| <b>Net Assets Available for Benefits</b> | Beginning of year |  | 12,699,903 |
|--|-------------------|--|------------|

|  |             |  |                      |
|--|-------------|--|----------------------|
| <b>Net Assets Available for Benefits</b> | End of year |  | <b>\$ 13,106,819</b> |
|--|-------------|--|----------------------|

See Notes to Financial Statements.



**Camco Financial & Subsidiaries Salary Savings Plan**

**Notes to Financial Statements  
December 31, 2006 and 2005**

**Note 1 Description of the Plan**

The following description of the Camco Financial and Subsidiaries Salary Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the plan document for a more complete description of the Plan's provisions.

**General** The Plan is a defined contribution plan covering all employees of Camco Financial & Subsidiaries (the Company). Employees are eligible to participate in the Plan on the date of hire. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Contributions** Each year, participants may contribute up to 92 percent of pretax annual compensation, subject to certain limitations. The Plan also allows any participant who has attained age 50 by the end of the plan year to make catch-up contributions in accordance with the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company makes a matching contribution equal to 100 percent of 401(k) deferrals made up to the first 3 percent of base compensation and 50 percent of 401(k) deferrals from 3.01 percent to 5 percent of base compensation. The Company may make an additional employer discretionary contribution. Contributions are subject to certain Internal Revenue Code (IRC) limitations.

**Participant Accounts** Each participant's account is credited with the participant's own contribution, and an allocation of the Company's contributions and plan earnings and expenses. Allocation of the Company's contributions and plan earnings and expenses is based upon participants' compensation and account balances, respectively. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Forfeited Accounts** Forfeitures of terminated participants' nonvested employer profit-sharing accounts are used to reduce employer contributions.

**Vesting** Participants are immediately vested in their own 401(k) contributions and employer matching contributions and any pension plan rollovers, plus actual earnings thereon. Vesting in the profit-sharing portion of their account is based on years of credited service. A participant is 100 percent vested after six years of credited service.

**Payment of Benefits** Upon termination of service due to death, disability, retirement, or other reasons, a participant may elect to receive payment of their vested benefits as a lump-sum payment.

**Camco Financial & Subsidiaries Salary Savings Plan**

**Notes to Financial Statements  
December 31, 2006 and 2005**

**Note 1 Description of the Plan (Continued)**

**Participant Loans** The Plan allows participants to borrow money from the Plan, in amounts not to exceed one-half of the participant's vested account balance. Participants cannot have more than one loan from the Plan at any time and initial loans must be for at least \$1,000, with a maximum of \$50,000, as determined by the IRS.

**Party-in-Interest Transactions** The Plan invests in employer stock as well as certain investment funds managed by the Administration Company or its affiliates. Charles Schwab Trust Company is the custodian of the Plan and, therefore, these transactions qualify as party-in-interest transactions as defined under ERISA guidelines.

**Termination** Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA and its related regulations. In the event of a plan termination, participants will become 100 percent vested in their accounts.

**Note 2 Summary of Accounting Policies**

**Investment Valuation** The Plan's investments are stated at fair value, except for its benefit-responsive unallocated contract common collective trust fund investment, which is valued at contract value. Contract value represents investments at cost plus accrued interest income less amounts withdrawn to pay benefits. The fair value of the common collective trust fund is based on discounting the related cash flows of the underlying guaranteed investment contracts based on current yields of similar instruments with comparable durations. The interest-bearing cash and participant loans are valued at their outstanding balances, which approximates fair value. All other investments are valued based on quoted market prices.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Administrative Expenses** Various administrative expenses are paid by the Company on behalf of the Plan.

**Benefit Payments** Benefits are recorded when paid.

**Camco Financial & Subsidiaries Salary Savings Plan**

**Notes to Financial Statements  
December 31, 2006 and 2005**

**Note 2 Summary of Accounting Policies (Continued)**

**Risk and Uncertainties** The Plan provides for various investment options including any combination of mutual funds, Camco Financial Corporation common stock, common collective funds, and other investment securities. The underlying investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits and participants' individual account balances.

**Concentration of Credit Risk** At December 31, 2006, approximately 27 percent of the Plan's assets were invested in Camco Financial Corporation common stock.

**Change in Presentation** In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position AAG INV-1 and SOP 94-4-1 (FSP), *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans*. This FSP requires investments in benefit-responsive investment contracts be presented at both fair value and contract value on the statement of net assets available for benefits. The result of the implementation of the FSP was to decrease investments and to increase the adjustment from fair value to contract value by \$7,920 and \$8,829 as of December 31, 2006 and 2005, respectively. There was no impact on total net assets as of December 31, 2005.

**Note 3 Tax Status**

The plan document has been restated for recent law changes. The plan sponsor adopted the restated version of a non-standardized prototype plan document. The Internal Revenue Service has determined and informed the prototype plan sponsor, by a letter dated June 5, 2002, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has not individually sought its own determination letter.

The plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

**Camco Financial & Subsidiaries Salary Savings Plan****Notes to Financial Statements  
December 31, 2006 and 2005****Note 4 Significant Investments at Fair Value**

Significant investments at fair value at December 31, 2006 and 2005 are listed as follows:

|   | 2006        | 2005        |
|---|-------------|-------------|
| Camco Financial Corporation common stock  | \$3,204,000 | \$3,914,113 |
| Camco Financial Corporation common stock* | 294,281     | 439,547     |
| Growth Fund of America R5                 | 1,906,612   | 1,528,117   |
| American Beacon Largecap Value Fund       | 1,295,639   | 1,041,854   |
| Vanguard 500 Index Fund                   |             | 970,980     |
| Vanguard Short-term Corporate Fund        |             | 759,223     |
| Europacific Growth Fund R5                | 1,014,860   | 802,082     |
| Schwab Markettrack Balanced Fund          | 665,339     | 655,203     |
| Vanguard Short-term Investment Grade Fund | 759,723     |             |
| Vanguard 500 Index Admiral Shares Fund    | 1,123,915   |             |

\* Nonparticipant-directed  
investment

**Note 5 Reconciliation to Form 5500**

The net assets on the financial statements differ from the net assets on Form 5500 due to a common collective trust fund being recorded at contract value on the financial statements and at fair value on Form 5500. The net assets on the financial statements were lower than Form 5500 at December 31, 2006 and 2005 by \$7,920 and \$8,829, respectively. Additionally, the investment income on Form 5500 for the year ended December 31, 2006 is higher by \$7,920.

## Camco Financial &amp; Subsidiaries Salary Savings Plan

**Schedule of Assets Held at End of Year**  
**Form 5500, Schedule H, Item 4i**  
**EIN 51-0110823, Plan 002**  
**December 31, 2006**

| (a)(b)<br>Identity of Issuer, Borrower,<br><br>Lessor, or Similar Party | (c)<br>Description of Investment,<br>Including Maturity Date,<br>Rate of Interest, Collateral,<br><br>Par, or Maturity Value | (d)<br><br>Cost | (e)<br><br>Current<br>Value |
|---|--|-----------------|-----------------------------|
| Nonparticipant-directed Investments                                     |  |                 |                             |
| ** Camco Financial Corporation  | Common stock, 23,080.88 shares   | \$ 246,973      | \$ 294,281                  |
| Participant-directed Investments  |  |                 |                             |
| ** Camco Financial Corporation  | Common stock, 251,127.68 shares  | *               | 3,204,000                   |
| Charles Schwab Trust Company  | Common collective fund Gartmore Morley Stable Value Fund   | *               | 418,947                     |
| Charles Schwab Trust Company  | Money market fund Schwab Government Money Fund   | *               | 75                          |
| Charles Schwab Trust Company  | Mutual fund American Beacon Largecap Value Fund  | *               | 1,295,639                   |
| Charles Schwab Trust Company  | Mutual fund Artisan Midcap Value Fund  | *               | 726,794                     |
| Charles Schwab Trust Company  | Mutual fund Columbia Acorn Fund Class Z  | *               | 702,864                     |
| Charles Schwab Trust Company  | Mutual fund Europacific Growth Fund R5   | *               | 1,014,860                   |
| Charles Schwab Trust Company  | Mutual fund Growth Fund of America R5  | *               | 1,906,612                   |
| Charles Schwab Trust Company  | Mutual fund Metropolitan West Total Return Bond Fund   | *               | 761,043                     |
| **Charles Schwab Trust Company  | Mutual fund Schwab Markettrack Balanced Fund   | *               | 665,339                     |
| Charles Schwab Trust Company  | Mutual fund Vanguard Short-term Investment Grade Fund  | *               | 759,723                     |
| Charles Schwab Trust Company  | Mutual fund Vanguard 500 Index Admiral Shares Fund   | *               | 1,123,915                   |
| ** Plan participants  | Participant loans bearing interest at 6.0% to 11.5%  |                 | 150,993                     |
| Total investments   |  |                 | <b>\$ 13,025,085</b>        |

\* Cost information not required

\*\* Denotes party-in-interest



**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CAMCO FINANCIAL AND SUBSIDIARIES  
SALARY SAVINGS PLAN

By its Administrator: Camco Financial  
Corporation

Date: June 26, 2007

By: /s/ Richard C. Baylor  
Richard C. Baylor, Chief Executive  
Officer

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CAMCO FINANCIAL AND SUBSIDIARIES  
SALARY SAVINGS PLAN  
ANNUAL REPORT ON FORM 11-K  
FOR FISCAL YEAR ENDED DECEMBER 31, 2006  
INDEX TO EXHIBITS

| Exhibit No. | Description  |
|-------------|--|
| 23          | Consent of Independent Registered Public Accounting Firm |