CHEVIOT FINANCIAL CORP
Form 10-Q
May 11, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from ____________ to _______________

Commission File No. 0-50529

CHEVIOT FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Federal	56-2423720
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3723 Glenmore Avenue, Cincinnati, Ohio 45211
(Address of principal executive office)

Registrant's telephone number, including area code: (513) 661-0457

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

Yes [X] No [ ]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

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

Yes [ ] No [X]

As of May 8, 2007, the latest practicable date, 9,269,826 shares of the registrant's common stock, $.01 par value, were issued and outstanding.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

ASSETS	March 3 2007 (Unaudite
Cash and due from banks	$ 2,9
Federal funds sold	4,6
Interest-earning deposits in other financial institutions	1,4
Cash and cash equivalents	8,9
Investment securities available for sale - at fair value	11,0

Investment securities held to maturity - at cost, approximate market value of $22,860 and $24,739 at March 31, 2007 and December 31, 2006, respectively	23,0
Mortgage-backed securities available for sale - at fair value	9
Mortgage-backed securities held to maturity - at cost, approximate market value of $13,052 and $14,251 at March 31, 2007 and December 31, 2006, respectively	12,9
Loans receivable - net	243,1
Loans held for sale - at lower of cost or market	3
Real estate acquired through foreclosure - net	3
Office premises and equipment - at depreciated cost	5,3
Federal Home Loan Bank stock - at cost	3,2
Accrued interest receivable on loans	1,0
Accrued interest receivable on mortgage-backed securities	
Accrued interest receivable on investments and interest-earning deposits	3
Prepaid expenses and other assets	4
Bank-owned life insurance	3,2
Total assets	$314,7
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits	$212,5
Advances from the Federal Home Loan Bank	28,0
Advances by borrowers for taxes and insurance	8
Accrued interest payable	1
Accounts payable and other liabilities	9
Accrued federal income taxes	1
Deferred federal income taxes	4
Total liabilities	243,0
Shareholders' equity	
Preferred stock - authorized 5,000,000 shares, $.01 par value; none issued	
Common stock - authorized 30,000,000 shares, $.01 par value; 9,918,751 shares issued at March 31, 2007 and December 31, 2006	
Additional paid-in capital	43,1
Shares acquired by stock benefit plans	(4,3
Treasury stock - at cost, 610,573 and 568,968 shares at March 31, 2007 and December 31, 2006, respectively	(7,3
Retained earnings - restricted	40,0
Accumulated comprehensive loss, unrealized losses on securities available for sale, net of related tax effects	(
Total shareholders' equity	71,6
Total liabilities and shareholders' equity	$314,7

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

For the three months ended March 31, 2007 and 2006
(In thousands, except per share data)

	20
Interest income	
Loans	$3,6
Mortgage-backed securities	1
Investment securities	3
Interest-earning deposits and other	
Total interest income	4,3
Interest expense	
Deposits	1,9
Borrowings	3
Total interest expense	2,2
Net interest income	2,0
Other income	
Rental	
Gain on sale of loans	
Earnings on bank-owned life insurance	
Other operating	
Total other income	1
General, administrative and other expense	
Employee compensation and benefits	1,1
Occupancy and equipment	1
Data processing	
Property, payroll and other taxes	2
Legal and professional	1
Advertising	
Other operating	2
Total general, administrative and other expense	1,9
Earnings before federal income taxes	2
Federal income taxes	
Current	1
Deferred	(
Total federal income taxes	
NET EARNINGS	$ 2
EARNINGS PER SHARE	

Basic	$.
	=====
Diluted	$.
	=====
Dividends declared per share	$.
	=====

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended March 31, 2007 and 2006
(In thousands)

	20
Net earnings for the period	$2
Other comprehensive loss, net of related tax benefits:	
Unrealized holding losses on securities during the period, net of tax benefits of $(4) and $(2) for the periods ended March 31, 2007 and 2006	

Comprehensive income	$1
	===
Accumulated comprehensive loss	$(
	===

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the three months ended March 31, 2007 and 2006
(In thousands)

20

Cash flows from operating activities:	
Net earnings for the period	$ 2
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:	
Amortization of premiums and discounts on investment and mortgage-backed securities, net	
Depreciation	
Amortization of deferred loan origination fees - net	
Proceeds from sale of loans in the secondary market	1,3
Loans originated for sale in the secondary market	(1,5
Amortization of expense related to stock benefit plans	
Gain on sale of loans	(
Federal Home Loan Bank stock dividends	
Net increase in cash surrender value of bank-owned life insurance	(
Increase (decrease) in cash due to changes in:	
Accrued interest receivable on loans	
Accrued interest receivable on mortgage-backed securities	
Accrued interest receivable on investments and interest-earning deposits	1
Prepaid expenses and other assets	(2
Accrued interest payable	
Accounts payable and other liabilities	(
Federal income taxes	
Current	1
Deferred	(
Net cash flows (used in) provided by operating activities	(
Cash flows used in investing activities:	
Principal repayments on loans	6,4
Loan disbursements	(8,9
Purchase of investment securities	(4,0
Proceeds from maturity of investment securities	4,0
Principal repayments on mortgage-backed securities	1,3
Purchase of office premises and equipment	(
Net cash flows used in investing activities	(1,1
Cash flows provided by financing activities:	
Net increase in deposits	7,0
Proceeds from Federal Home Loan Bank advances	
Repayments on Federal Home Loan Bank advances	(1,1
Advances by borrowers for taxes and insurance	(3
Stock option expense, net	
Treasury stock repurchases	(5
Dividends paid on common stock	(2
Net cash flows provided by financing activities	4,7
Net increase (decrease) in cash and cash equivalents	3,4
Cash and cash equivalents at beginning of period	5,4
Cash and cash equivalents at end of period	$8,9

See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)(CONTINUED)

For the three months ended March 31, 2007 and 2006
(In thousands)

	20
Supplemental disclosure of cash flow information: Cash paid during the period for:	
Federal income taxes	$
Interest on deposits and borrowings	$2,2
Supplemental disclosure of non-cash investing activities: Transfer from loans to real estate acquired through foreclosure	$ 3
Recognition of mortgage servicing rights in accordance with SFAS No. 140	$

See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2007 and 2006

1. Basis of Presentation

Cheviot Financial Corp. ("Cheviot Financial" or the "Corporation") is a financial holding company, the principal asset of which consists of its ownership of Cheviot Savings Bank (the "Savings Bank"). The Savings Bank conducts a general banking business in southwestern Ohio which consists of attracting deposits and applying those funds to the origination of primarily real estate loans. The Corporation is 55% owned by Cheviot Mutual Holding Company. Cheviot Savings' profitability is significantly dependent on net interest income, which is the difference between interest income from interest-earning assets and the interest expense paid on interest-bearing liabilities. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances.

The accompanying unaudited financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Cheviot Financial included in the Annual Report on Form 10-K for the year ended December 31, 2006. However, in the opinion of management, all adjustments (consisting of only normal recurring accruals) which are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three month period ended March 31, 2007, are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

The accompanying consolidated financial statements as of and for the three months ended March 31, 2007, include the accounts of the Corporation and its wholly-owned subsidiary, the Savings Bank. All significant intercompany items have been eliminated.

3. Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, scheduled amortization and prepayments of loan principal and mortgage-backed securities, maturities and calls of securities and funds provided by our operations. In addition, we may borrow from the Federal Home Loan Bank of Cincinnati. At March 31, 2007 and December 31, 2006, we had $28.1 million and $29.2 million, respectively, in outstanding borrowings from the Federal Home Loan Bank of Cincinnati and had the capacity to increase such borrowings at those dates by approximately $110.1 million and $110.3 million.

Loan repayments and maturing securities are a relatively predictable source of funds. However, deposit flows, calls of securities and prepayments of loans and mortgage-backed securities are strongly influenced by interest rates, general and local economic conditions and competition in the marketplace. These factors reduce the predictability of these sources of funds.

3. Liquidity and Capital Resources (continued)

Our primary investing activities are the origination of one- to four-family real estate loans, commercial real estate, construction and consumer loans, and, to a lesser extent, the purchase of securities. For the three months ended March 31, 2007, loan originations totaled $10.5 million, compared to $13.6 million for the three months ended March 31, 2006.

Total deposits increased $7.1 million and $2.1 million during the three months ended March 31, 2007 and 2006. Deposit flows are affected by the level of interest rates, the interest rates and products offered by competitors and other factors.

The following table sets forth information regarding the Corporation's obligations and commitments to make future payments under contract as of March 31, 2007.

Payments due by period

Less More than More than More
than 1-3 4-5 than

	1 year	years	years
			(In thousands)
Contractual obligations:			
Advances from the Federal Home Loan Bank	$ -	$ -	$-
Certificates of deposit	124,947	22,454	428
Amount of loan commitments and expiration per period:			
Commitments to originate one- to four-family loans	2,390	-	-
Home equity lines of credit	11,015	-	-
Undisbursed loans in process	5,905	-	-
Lease obligations	3	-	-
Total contractual obligations	$144,260	$22,454	$428

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2007 and 2006

3. Liquidity and Capital Resources (continued)

At March 31, 2007 and 2006, we exceeded all of the applicable regulatory capital requirements. Our core (Tier 1) capital was $51.7 million and $49.2 million, or 16.4% and 16.8% of total assets at March 31, 2007 and 2006, respectively. In order to be classified as "well-capitalized" under federal banking regulations, we were required to have core capital of at least $18.9 million, or 6.0% of assets as of March 31, 2007. To be classified as a well-capitalized bank, we must also have a ratio of total risk-based capital to risk-weighted assets of at least 10.0%. At March 31, 2007 and 2006, we had a total risk-based capital ratio of 32.8% and 34.4%, respectively.

4. Earnings Per Share

Basic earnings per share is computed based upon the weighted-average common shares outstanding during the period, less shares in the ESOP that are unallocated and not committed to be released plus shares in the ESOP that have been allocated. Weighted-average common shares deemed outstanding gives effect to 249,954 and 285,661 unallocated shares held by the ESOP for the three months ended March 31, 2007 and 2006, respectively.

	For the three months ended March 31, 2007	2006
Weighted-average common shares outstanding (basic)	9,082,356	9,363,410
Dilutive effect of assumed exercise of stock options	120,429	16,468
Weighted-average common shares outstanding (diluted)	9,202,785	9,379,878

5. Stock Option Plan

On April 26, 2005, the Corporation approved a Stock Incentive Plan that provides for grants of up to 486,018 stock options. On May 5, 2005, approximately 384,000 option shares were granted subject to five year vesting. On May 23, 2006, approximately 6,100 option shares were granted subject to five year vesting.

In 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 123(R), "Share-Based Payment," which revises SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires that cost related to the fair value of all equity-based awards to employees, including grants of employee stock options, be recognized in the financial statements.

5. Stock Option Plan (continued)

The Corporation adopted the provisions of SFAS No. 123(R) effective January 1, 2006, using the modified prospective transition method, and therefore has not restated its financial statements for prior periods. Under this method, the Corporation has applied the provisions of SFAS No. 123(R) to new equity-based awards and to equity-based awards modified, repurchased, or cancelled after January 1, 2006. In addition, the Corporation will recognize compensation cost for the portion of equity-based awards for which the requisite service period has not been rendered ("unvested equity-based awards") that are outstanding as of January 1, 2006. The compensation cost recorded for unvested equity-based awards is based on their grant-date fair value. For the three months ended March 31, 2007, the Corporation recorded $43,000 in after-tax compensation cost for equity-based awards that vested during the three months ended March 31, 2007. The Corporation has $810,000 unrecognized pre-tax compensation cost related to non-vested equity-based awards granted under its stock incentive plan as of March 31, 2007, which is expected to be recognized over a weighted-average vesting period of approximately 3.2 years.

A summary of the status of the Corporation's stock option plan as of March 31, 2007, and changes during the period then ended is presented below:

	Three months ended March 31, 2007	
	Shares	Weighted-average exercise price
Outstanding at beginning of period	389,760	$11.17
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at end of period	389,760	$11.17
Options exercisable at period-end	76,740	$11.15
Options expected to be exercisable at year-end		
Fair value of options granted		$ -

The following information applies to options outstanding at March 31, 2007:

Number outstanding
Exercise price
Weighted-average exercise price
Weighted-average remaining contractual life
Aggregate intrinsic value of vested options

The expected term of options is based on evaluations of historical and expected future employee exercise behavior. The risk free interest rate is based upon the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at grant date. Volatility is based upon the historical volatility of the Corporation's stock.

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2007 and 2006

5. Stock Option Plan (continued)

The fair value of each option was estimated on the date of grant using the modified Black-Scholes options pricing model with the following weighted-average assumptions used for grants in 2006: dividend yield of 2.31%, expected volatility of 14.43%, risk-free interest rate of 5.07% and an expected life of 10 years for each grant.

The effects of expensing stock options is reported in "cash provided by financing activities" in the Consolidated Statements of Cash Flows.

6. Income Taxes

The Corporation adopted the provisions of FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes," on January 1, 2007. Previously, the Corporation had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies." As required by Interpretation 48, which clarifies Statement No. 109, "Accounting for Income Taxes," the Corporation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Corporation applied Interpretation 48 to all tax positions for which the stature of limitations remained open. As a result of the implementation of Interpretation 48, the Corporation was not required to record any liability for unrecognized tax benefits as of January 1, 2007. There have been no material changes in unrecognized tax benefits since January 1, 2007. As stated in the Annual Report, the only known tax attribute which can influence the Corporation's effective tax rate is the utilization of charitable contribution carryforwards.

The Corporation is subject to income taxes in the U.S. federal jurisdiction, as well as various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Corporation is no longer subject to U.S. federal, state and local, or non U.S. income tax examinations by tax authorities for the years before 2003.

The Corporation will recognize, if applicable, interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

7. Effects of Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments - an amendment of FASB Statements No. 133 and 140," to simplify and make more consistent the accounting for certain financial instruments. Specifically, SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," to allow a qualifying special purpose entity to hold a derivative instrument that pertains to a beneficial interest other than another derivative financial instrument.

7. Effects of Recent Accounting Pronouncements (continued)

SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, or January 1, 2007 as to the Corporation, with earlier application allowed. The Corporation adopted SFAS No. 155 as of January 1, 2007 without material effect on the Corporation's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets - an amendment of SFAS No. 140," to simplify the accounting for separately recognized servicing assets and servicing liabilities. Specifically, SFAS No. 156 amends SFAS No. 140 to require an entity to take the following steps:

- Separately recognize financial assets as servicing assets or servicing liabilities, each time it undertakes an obligation to service a financial asset by entering into certain kinds of servicing contracts;
- Initially measure all separately recognized servicing assets and liabilities at fair value, if practicable, and;
- Separately present servicing assets and liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities.

Additionally, SFAS No. 156 permits, but does not require, an entity to choose either the amortization method or the fair value measurement method for measuring each class of separately recognized servicing assets and servicing liabilities. SFAS No. 156 also permits a servicer that uses derivative financial instruments to offset risks on servicing to use fair value measurement when reporting both the derivative financial instrument and related servicing asset or liability.

SFAS No. 156 applies to all separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006, or January 1, 2007 as to the Corporation, with earlier application permitted. The Corporation adopted SFAS No. 156 as of January 1, 2007, applying the amortization method without financial statement effect. The Corporation's mortgage servicing rights totaled less than $75,000 at March 31, 2007, and therefore, the remaining disclosures required under SFAS No. 156 have been omitted based on materiality.

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." The interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." Specifically, FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax provision taken or expected to be taken on a tax return. FIN 48 also provides guidance on the related derecognition, classification, interest and penalties, accounting for interim periods, disclosure, and transition of uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006, or January 1, 2007 as to the Corporation. The Corporation has adopted FIN 48 without material adverse effect on the Corporation's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement emphasizes that fair value is a market-based measurement and should be determined based on assumptions that a market participant would use when pricing an asset or liability. This Statement clarifies that

7. Effects of Recent Accounting Pronouncements (continued)

market participant assumptions should include assumptions about risk as well as the effect of a restriction on the sale or use of an asset. Additionally, this Statement establishes a fair value hierarchy that provides the highest priority to quoted prices in active markets and the lowest priority to unobservable data. This Statement is effective for fiscal years beginning after November 15, 2007, or January 1, 2008 as to the Company, and interim periods within those fiscal years. The adoption of this Statement is not expected to have a material adverse effect on the Company's financial position or results of operations.

In September 2006, the FASB ratified the Emerging Issues Task Force's (EITF) Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," which requires companies to recognize a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee extending to postretirement periods. The liability should be recognized based on the substantive agreement with the employee. This Issue is effective beginning January 1, 2008. The Issue can be applied as either a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, or a change in accounting principle through retrospective application to all periods. The Corporation is in the process of evaluating the impact the adoption of Issue 06-4 will have on the financial statements.

In September 2006, the FASB ratified a consensus opinion reached by the EITF on EITF Issue 06-5, "Accounting for Purchases of Life Insurance - Determining the Amount that Could be Realized in Accordance with FASB Technical Bulletin No. 85-4." The guidance in EITF Issue 06-5 requires policyholders to consider other amounts included in the contractual terms of an insurance policy, in addition to cash surrender value, for purposes of determining the amount that could be realized under the terms of the insurance contract. If it is probable that contractual terms would limit the amount that could be realized under the insurance contract, those contractual limitations should be considered when determining the realizable amounts. The amount that could be realized under the insurance contract should be determined on an individual policy (or certificate) level and should include any amount realized on the assumed surrender of the last individual policy or certificate in a group policy.

The Company holds several life insurance policies, however, the policies do not contain any provisions that would restrict or reduce the cash surrender value of the policies. The consensus in EITF Issue 06-5 is effective for fiscal years beginning after December 15, 2006. The Corporation applied the guidance in EITF Issue 06-5 effective January 1, 2007 which did not have any effect on the Corporation's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115." This Statement allows companies the choice to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, or January 1, 2008 as to the Corporation, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157, "Fair Value Measurements." The Corporation is currently evaluating the impact the adoption of SFAS No. 159 will have on the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This report on Form 10-Q contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements are subject to significant risks, assumptions and uncertainties that could affect the actual outcome of future events. Because of these uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Discussion of Financial Condition Changes at December 31, 2006 and at March 31, 2007

Total assets increased $4.9 million, or 1.6%, to $314.7 million at March 31, 2007, from $309.8 million at December 31, 2006. The increase in total assets reflects an increase in cash and cash equivalents and loans receivable, which were partially offset by a decrease in investment securities and mortgage-backed securities.

Cash, federal funds sold and interest-earning deposits increased $3.5 million, or 63.4%, to $9.0 million at March 31, 2007, from $5.5 million at December 31,

2006. The increase in cash and cash equivalents at March 31, 2007, was due to a $164,000 increase in cash and cash due from banks, an increase in federal funds sold of $2.0 million and an increase in interest earning deposits of $1.4 million. Investment securities decreased $9,000 to $34.2 million at March 31, 2007. At March 31, 2007, $23.1 million of investment securities were classified as held to maturity, while $11.1 million were classified as available for sale.

Mortgage-backed securities decreased $1.3 million, or 8.8%, to $13.9 million at March 31, 2007, from $15.3 million at December 31, 2006. The decrease in mortgage-backed securities was due primarily to principal prepayments and repayments totaling $1.4 million. At March 31, 2007, $13.0 million of mortgage-backed securities were classified as held to maturity, while $962,000 were classified as available for sale. Management has focused on investing in shorter term instruments in an effort to enhance the Corporation's liquidity in the current inverted yield curve interest rate environment.

Loans receivable, including loans held for sale, increased $2.4 million, or 1.0%, to $243.6 million at March 31, 2007, from $241.2 million at December 31, 2006. The increase reflects loan originations totaling $10.5 million, partially offset by loan principal repayments of $6.4 million and sales of $1.4 million.

The allowance for loan losses totaled $833,000 at both March 31, 2007 and December 31, 2006. In determining the adequacy of the allowance for loan losses at any point in time, management and the board of directors apply a systematic process focusing on the risk of loss in the portfolio. First, the loan portfolio is segregated by loan types to be evaluated collectively and loan types to be evaluated individually. Delinquent multi-family and commercial loans are evaluated individually for potential impairments in their carrying value. Second, the allowance for loan losses entails utilizing our historic loss experience by applying such loss percentage to the loan types to be collectively evaluated in the portfolio. This segment of the loss analysis resulted in no addition to the provision for loss for the quarter ended March 31, 2007. The analysis of the allowance for loan losses requires an element of judgment and is subject to the possibility that the allowance may need to be increased, with a corresponding reduction in earnings. To the best of management's knowledge, all known and inherent losses that are probable and that can be reasonably estimated have been recorded at March 31, 2007.

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

Discussion of Financial Condition Changes from December 31, 2006 to March 31, 2007 (continued)

Non-performing and impaired loans totaled $371,000 and $281,000 at March 31, 2007 and December 31, 2006, respectively. At March 31, 2007, non-performing and impaired loans were comprised solely of six loans secured by one- to four-family residential real estate. The allowance for loan losses represented 224.5% and 296.4 % of non-performing and impaired loans at March 31, 2007 and December 31, 2006, respectively. Although management believes that the Corporation's allowance for loan losses conforms with generally accepted accounting principles based upon the available facts and circumstances, there can be no assurance that additions to the allowance will not be necessary in future periods, which would adversely affect our results of operations.

Deposits increased $7.1 million, or 3.4%, to $212.5 million at March 31, 2007, from $205.5 million at December 31, 2006. Advances from the Federal Home Loan Bank of Cincinnati decreased by $1.2 million, or 4.0%, to $28.1 million at March 31, 2007, from $29.2 million at December 31, 2006. Deposit growth allowed for the repayment of advances from the Federal Home Loan Bank.

Shareholders' equity decreased $571,000, or 0.8%, to $71.6 million at March 31, 2007, from $72.2 million at December 31, 2006. The decrease primarily resulted from the repurchase of treasury shares of $550,000 and dividends paid of $299,000, which were partially offset by net earnings of $206,000. At March 31, 2007, Cheviot Financial had the ability to purchase an additional 356,504 shares under its announced stock repurchase plan.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2007 and 2006

General

Net earnings for the three months ended March 31, 2007 totaled $206,000, a $255,000 decrease from the $461,000 net earnings reported in the March 2006 period. The decrease in net earnings reflects a decrease in net interest income of $149,000 and an increase of $247,000, in general, administrative and other expenses, which were partially offset by an increase in other income of $9,000 and a decrease of $132,000 in federal income taxes for the 2007 quarter.

Net Interest Income

Total interest income increased $492,000, or 12.8%, to $4.3 million for the three-months ended March 31, 2007, from the comparable quarter in 2006. Interest income on loans increased $360,000, or 10.8%, to $3.7 million during the 2007 period from $3.3 million for the 2006 period. This increase was due primarily to a $16.8 million, or 7.4%, increase in the average balance of loans outstanding, and a 19 basis point increase in the weighted-average yield on loans to 6.07% for 2007 quarter from 5.88% for the three months ended March 31, 2006.

Interest income on mortgage-backed securities decreased $27,000, or 12.6%, to $187,000 for the three months ended March 31, 2007, from $214,000 for the 2006 quarter, due primarily to a $6.2 million decrease in the average balance of securities outstanding, which was partially offset by a 104 basis point increase in the average yield period to period. Interest income on investment securities increased $131,000, or 49.4%, to $396,000 for the three months ended March 31, 2007, compared to $265,000 for the same quarter in 2006, due primarily to a 126 basis point increase in the average yield to 5.17% in the 2007 quarter, and an increase of $3.6 million, or 13.1% in the average balance of investment securities outstanding. Interest income on other interest-earning deposits increased $28,000, or 66.7% to $70,000 for the three months ended March 31, 2007.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2007 and 2006 (continued)

Net Interest Income (continued)

Interest expense increased $641,000, or 39.9%, to $2.2 million for the three months ended March 31, 2007, from $1.6 million for the same period in 2006. Interest expense on deposits increased by $684,000, or 56.0%, to $1.9 million from $1.2 million due primarily to a 95 basis point increase in the weighted average costs of deposits to 3.69% during the 2007 period and a $28.2 million, or 15.8%, increase in the weighted-average balance outstanding. Interest expense on borrowings decreased by $43,000, or 11.1%, due primarily to a $4.6 million, or 13.8%, decrease in the average balance outstanding, which was partially offset by a 15 basis point increase in the average cost of borrowings. The increase in the yields on interest-earning assets and costs of interest-bearing liabilities were due primarily to the overall increase in interest rates during the March 2007 quarter.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased by $149,000, or 6.7%, to $2.1 million for the three months ended March 31, 2007. The average interest rate spread decreased to 2.08% for the three months ended March 31, 2007 from 2.51% for the three months ended March 31, 2006. The net interest margin decreased to 2.84% for the three months ended March 31, 2007 from 3.23% for the three months ended March 31, 2006.

Provision for Losses on Loans

As a result of the allowance for loan losses analysis described elsewhere in this document, management concluded that the allowance for loan loss was adequate, and therefore, did not record a provision for losses on loans for the three-months ended March 31, 2007 and 2006. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing loans in the future.

Other Income

Other income increased $9,000, or 7.5%, to $129,000 for the three months ended March 31, 2007, compared to the same quarter in 2006, due primarily to an increase in the gain on the sale of loans of $7,000 and an increase of $6,000 in other operating income, which were partially offset by a decrease in earnings on bank owned life insurance of $5,000.

General, Administrative and Other Expense

General, administrative and other expense increased $247,000, or 14.7%, to $1.9 million for the three months ended March 31, 2007, from $1.7 million for the comparable quarter in 2006. This increase is a result of an increase of $97,000 in employee compensation and benefits, a $47,000 increase in occupancy and equipment, a $16,000 increase in legal and professional services and an increase of $62,000 in other operating expense. The increase in employee compensation and benefits is due primarily to an increase in the number of employees reflecting the growth of the Corporation's franchise. The increase in occupancy and equipment is due primarily to expense incurred for the operation of the two new branches opened in the latter quarters of 2006. The increase in legal and professional services was due primarily to expenses incurred for litigation proceedings wherein the Corporation was defending its security interest in collateral. The Corporation has reached a settlement regarding this litigation for $50,000, accounting for the majority of the increase in other operating expense for the 2007 three month period.

Cheviot Financial Corp.

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

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2007 and 2006 (continued)

Federal Income Taxes

The provision for federal income taxes decreased $132,000, or 61.4%, to $83,000 for the three months ended March 31, 2007, from $215,000 for the same quarter in 2006, due primarily to a $387,000, or 57.2%, decrease in pre-tax earnings. The effective tax rate was 28.7% and 31.8% for the three month periods ended March 31, 2007 and 2006. The difference between the Corporation's effective tax rate in the 2007 and 2006 periods and the 34% statutory corporate rate is due primarily to the tax-exempt earnings on bank-owned life insurance.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the Corporation's market risk since the Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2006.

ITEM 4 CONTROLS AND PROCEDURES

The Corporation's Chief Executive Officer and Chief Financial Officer evaluated the disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures are effective.

There were no changes in the Corporation's internal controls or in other factors that could materially affect, or could reasonably be likely to materially affect, these controls subsequent to the date of their evaluation by the Corporation's Chief Executive Officer and Chief Financial Officer.

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Cheviot Financial Corp.

PART II

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

There have been no changes to the Corporation's risk factors since the filing of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The Corporation announced a repurchase plan on September 13, 2006 which provides for the repurchase of 5% or 471,140 shares of our common stock. As of March 31, 2007, the Corporation had purchased 114,636 shares pursuant to the program.

Period	Total # of shares purchased	Average price paid per share	Total # of shares purchased as part of publicly announced plans or programs
January 1-31, 2007	11,036	$13.15	84,067
February 1-28, 2007	9,292	$13.17	93,359
March 1 - 31, 2007	21,277	$13.26	114,636

ITEM 3. Defaults Upon Senior Securities

Not applicable.

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

None.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

31.1 Certification of Principal Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Cheviot Financial Corp.

SIGNATURES

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

Date: May 11, 2007 By: /s/ Thomas J. Linneman

Thomas J. Linneman
President and Chief Executive Officer

Date: May 11, 2007 By: /s/ Scott T.Smith

Scott T. Smith
Chief Financial Officer

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Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13A-14
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Thomas J. Linneman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheviot Financial Corp.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls to be designed under our supervision, 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 quarterly report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2007

/s/Thomas J. Linneman

Thomas J. Linneman
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13A-14
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Scott T. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheviot Financial Corp.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial

information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls to be designed under our supervision, 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 quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2007

/s/Scott T. Smith

Scott T. Smith
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cheviot Financial Corp. (the "Company"), on Form 10-Q for the period ended March 31, 2007, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, Thomas J. Linneman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Cheviot Financial Corporation and will be retained by Cheviot Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/Thomas J. Linneman

Thomas J. Linneman
President and Chief Executive Officer

Date: May 11, 2007

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cheviot Financial Corp. (the "Company"), on Form 10-Q for the period ended March 31, 2007, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, Scott T. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Cheviot Financial Corporation and will be retained by Cheviot Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/Scott T. Smith

Scott T. Smith
Chief Financial Officer

Date: May 11, 2007