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CHEVIOT FINANCIAL CORP
Form 10-Q
May 09, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

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 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

Smaller reporting company

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

Yes No

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As of May 9, 2008, the latest practicable date, 8,900,599 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)

| | March 31 2008 (Unaudited) |
|---|---------------------------------|
| ASSETS | |
| Cash and due from banks | \$ 2,5 |
| Federal funds sold | 6,8 |
| Interest-earning deposits in other financial institutions | 1,3 |
| | ----- |
| Cash and cash equivalents | 10,7 |
| Investment securities available for sale - at fair value | 24,3 |
| Investment securities held to maturity - at cost, approximate market value of \$12,160 and \$23,086 at March 31, 2008 and December 31, 2007, respectively | 12,0 |

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| | |
|--|----------|
| Mortgage-backed securities available for sale - at fair value | 7 |
| Mortgage-backed securities held to maturity - at cost, approximate market value of \$8,556 and \$9,577 at March 31, 2008 and December 31, 2007, respectively | 8,4 |
| Loans receivable - net | 250,4 |
| Loans held for sale - at lower of cost or market | 1 |
| Real estate acquired through foreclosure - net | 5 |
| Office premises and equipment - at depreciated cost | 5,0 |
| Federal Home Loan Bank stock - at cost | 3,2 |
| Accrued interest receivable on loans | 1,1 |
| Accrued interest receivable on mortgage-backed securities | |
| Accrued interest receivable on investments and interest-earning deposits | 5 |
| Prepaid expenses and other assets | 4 |
| Bank-owned life insurance | 3,4 |
| Prepaid federal income taxes | 1 |
| | ----- |
| Total assets | \$ 321,4 |
| | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | |
| Deposits | \$ 219,8 |
| Advances from the Federal Home Loan Bank | 31,5 |
| Advances by borrowers for taxes and insurance | 8 |
| Accrued interest payable | 1 |
| Accounts payable and other liabilities | 9 |
| Deferred federal income taxes | 6 |
| | ----- |
| Total liabilities | 253,9 |
| 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, 2008 and December 31, 2007 | |
| Additional paid-in capital | 43,4 |
| Shares acquired by stock benefit plans | (3,5) |
| Treasury stock - at cost, 1,005,534 and 967,077 shares at March 31, 2008 and December 31, 2007, respectively | (12,4) |
| Retained earnings - restricted | 39,8 |
| Accumulated comprehensive income, unrealized gains on securities available for sale, net of related tax effects | 1 |
| | ----- |
| Total shareholders' equity | 67,4 |
| | ----- |
| Total liabilities and shareholders' equity | \$ 321,4 |
| | ===== |

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

For the three months ended March 31, 2008 and 2007
(In thousands, except per share data)

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| | |
|--|--------|
| Interest income | |
| Loans | \$ 3,8 |
| Mortgage-backed securities | 1 |
| Investment securities | 5 |
| Interest-earning deposits and other | |
| Total interest income | 4,5 |
| Interest expense | |
| Deposits | 2,0 |
| Borrowings | 3 |
| Total interest expense | 2,3 |
| Net interest income | 2,1 |
| Provision for losses on loans | 2 |
| Net interest income after provision for losses on loans | 1,8 |
| Other income | |
| Rental | |
| Loss on sale of real estate acquired through foreclosure | (|
| Gain on sale of loans | |
| Earnings on bank-owned life insurance | |
| Other operating | |
| Total other income | |
| General, administrative and other expense | |
| Employee compensation and benefits | 1,0 |
| Occupancy and equipment | 1 |
| Property, payroll and other taxes | 2 |
| Data processing | |
| Legal and professional | 1 |
| Advertising | |
| Other operating | 1 |
| Total general, administrative and other expense | 1,8 |
| Earnings before federal income taxes | 1 |
| Federal income taxes | |
| Current | |
| Deferred | (|
| Total federal income taxes | |
| NET EARNINGS | \$ |
| EARNINGS PER SHARE | ===== |
| Basic | \$. |
| Diluted | \$. |
| Dividends declared per share | \$. |
| | ===== |

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See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended March 31, 2008 and 2007
(In thousands)

| | |
|--|------|
| Net earnings for the period | \$ |
| Other comprehensive income (loss), net of related tax expense (benefit): | |
| Unrealized holding gains (losses) on securities during the period, | |
| net of tax expense (benefit) of \$53 and \$(4) for the periods | |
| ended March 31, 2008 and 2007 | 1 |
| Comprehensive income | \$ 2 |
| Accumulated comprehensive income (loss) | \$ 1 |

See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the three months ended March 31, 2008 and 2007
(In thousands)

| | |
|---|-----|
| Cash flows from operating activities: | 20 |
| Net earnings for the period | \$ |
| 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 | 7 |
| Loans originated for sale in the secondary market | (9) |
| Gain on sale of loans | |
| Amortization of expense related to stock benefit plans | |
| Provision for losses on loans | 2 |

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| | |
|--|---------|
| Federal Home Loan Bank stock dividends | (|
| Loss on real estate acquired through foreclosure | |
| 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 | |
| Deferred | (|
| | ----- |
| Net cash flows used in operating activities | (1 |
| Cash flows used in investing activities: | |
| Principal repayments on loans | 13,9 |
| Loan disbursements | (15,0 |
| Purchase of investment securities | (11,9 |
| Proceeds from maturity of investment securities | 11,0 |
| Principal repayments on mortgage-backed securities | 1,0 |
| Proceeds from the sale of real estate acquired through foreclosure | 2 |
| Purchase of office premises and equipment | |
| | ----- |
| Net cash flows used in investing activities | (7 |
| Cash flows provided by financing activities: | |
| Net increase in deposits | 3 |
| Proceeds from Federal Home Loan Bank advances | 7,5 |
| Repayments on Federal Home Loan Bank advances | (4,6 |
| Advances by borrowers for taxes and insurance | (3 |
| Stock option expense, net | |
| Treasury stock repurchases | (3 |
| Dividends paid on common stock | (3 |
| | ----- |
| Net cash flows provided by financing activities | 2,1 |
| | ----- |
| Net increase in cash and cash equivalents | 1,2 |
| Cash and cash equivalents at beginning of period | 9,4 |
| | ----- |
| Cash and cash equivalents at end of period | \$ 10,7 |
| | ===== |

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, 2008 and 2007
(In thousands)

Supplemental disclosure of cash flow information: Cash paid during the period

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for:

| | |
|--|--------|
| Federal income taxes | \$ |
| | ===== |
| Interest on deposits and borrowings | \$ 2,3 |
| | ===== |
| Supplemental disclosure of non-cash investing activities: | |
| Transfer from loans to real estate acquired through foreclosure | \$ 2 |
| | ===== |
| 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, 2008 and 2007

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, 2007. 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, 2008, 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

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months ended March 31, 2008, 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, 2008 and December 31, 2007, we had \$31.5 million and \$28.7 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 \$108.1 million and \$109.4 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.

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Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2008 and 2007

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, 2008, loan originations totaled \$16.0 million, compared to \$10.5 million for the three months ended March 31, 2007.

Total deposits increased \$300,000 and \$7.1 million during the three months ended March 31, 2008 and 2007. 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, 2008.

| | Payments due by period | | |
|-----------|------------------------|-----------|--|
| Less than | More than | More than | |
| 1 year | 1-3 years | 4-5 years | |
| | | | |

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(In thousands)

| | | | |
|---|-----------|-----------|-----------|
| Contractual obligations: | | | |
| Advances from the Federal Home Loan Bank | \$ - | \$ 4,000 | \$ 3,673 |
| Certificates of deposit | 126,064 | 19,991 | 7,037 |
| Amount of loan commitments and expiration per period: | | | |
| Commitments to originate one- to four-family loans | 3,639 | - | - |
| Home equity lines of credit | 11,436 | - | - |
| Undisbursed loans in process | 14,843 | - | - |
| | ----- | ----- | ----- |
| Total contractual obligations | \$155,982 | \$ 23,991 | \$ 10,710 |
| | ===== | ===== | ===== |

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.

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Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2008 and 2007

3. Liquidity and Capital Resources (continued)

At March 31, 2008 and 2007, we exceeded all of the applicable regulatory capital requirements. Our core (Tier 1) capital was \$53.4 million and \$51.7 million, or 16.8% and 16.4% of total assets at March 31, 2008 and 2007, respectively. In order to be classified as "well-capitalized" under federal banking regulations, we were required to have core capital of at least \$19.1 million, or 6.0% of assets as of March 31, 2008. 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, 2008 and 2007, we had a total risk-based capital ratio of 32.6% and 32.8%, 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 214,247 and 249,954 unallocated shares held by the ESOP for the three months ended March 31, 2008 and 2007, respectively.

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| | For the three months ended March 31, | |
|---|---|-----------|
| | 2008 | 2007 |
| Weighted-average common shares outstanding (basic) | 8,717,914 | 9,082,356 |
| Dilutive effect of assumed exercise of stock options | 58,574 | 120,429 |
| | ----- | ----- |
| Weighted-average common shares outstanding (diluted) | 8,776,488 | 9,202,785 |
| | ===== | ===== |

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. During 2007, 2006 and 2005 approximately 6,460, 6,100 and 384,000 options 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.

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Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2008 and 2007

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, 2008, the Corporation recorded \$61,000 in after-tax compensation cost for equity-based awards that vested during the three months ended March 31, 2008. The Corporation has \$563,000 unrecognized pre-tax compensation cost related to non-vested equity-based awards granted under its stock incentive plan as of March 31, 2008, which is expected to be recognized over a weighted-average vesting period of approximately 2.2 years.

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A summary of the status of the Corporation's stock option plan as of March 31, 2008, and changes during the period then ended is presented below:

| | Three months ended March 31, 2008 | | |
|--|--------------------------------------|---|---|
| | Shares | Weighted- average exercise price | |
| Outstanding at beginning of period | 396,220 | \$11.21 | 3 |
| Granted | - | - | |
| Exercised | - | - | |
| Forfeited | - | - | |
| | ----- | ----- | |
| Outstanding at end of period | 396,220 | \$11.21 | 3 |
| | ===== | ===== | |
| Options exercisable at period-end | 154,692 | \$11.16 | 1 |
| | ===== | ===== | |
| Options expected to be exercisable at year-end | | | |
| Fair value of options granted | | N/A | |
| | | === | |

The following information applies to options outstanding at March 31, 2008:

| | |
|---|-------------------|
| Number outstanding | 396,220 |
| Exercise price | \$11.15 - \$13.63 |
| Weighted-average exercise price | \$11.21 |
| Weighted-average remaining contractual life | 7.2 years |

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.

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Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2008 and 2007

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 2007: dividend yield of 2.35%, expected volatility of 10.12%, risk-free interest rate of 4.83% and an expected life of 10 years for each grant.

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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 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 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 did not have a material adverse effect on the Company's financial position or results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2007 and 2006

7. Effects of Recent Accounting Pronouncements (continued)

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. The impact of this new pronouncement was not material to the Company's consolidated financial statements.

Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value Through Earnings (SAB 109) -- In November 2007, SEC SAB 109 was issued. SAB 109 provides the staff's views on the accounting for written loan commitments recorded at fair value. To make the staff's views consistent with Statement No. 156, Accounting for Servicing of Financial Assets, and Statement No. 159, SAB 109 revises and rescinds portions of SAB No. 105, Application of Accounting Principles to Loan Commitments, and requires that the expected net future cash flows related to the associated servicing of a loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The provisions of SAB 109 are applicable to written loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The Company adopted this Statement with no material impact to the Company's consolidated financial statements.

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Cheviot Financial Corp.

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, 2007 and at March 31,

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2008

Total assets increased \$2.4 million, or 0.7%, to \$321.5 million at March 31, 2008, from \$319.1 million at December 31, 2007. The increase in total assets reflects an increase in cash and cash equivalents, loans receivable and investment securities, which were partially offset by a decrease mortgage-backed securities.

Cash, federal funds sold and interest-earning deposits increased \$1.3 million, or 13.3%, to \$10.7 million at March 31, 2008, from \$9.5 million at December 31, 2007. The increase in cash and cash equivalents at March 31, 2008, was due to a \$2.5 million increase in federal funds sold, which was partially offset by a decrease in cash and due from banks of \$1.2 million and a decrease in interest earning deposits of \$107,000. Investment securities increased \$1.1 million, or 3.2% to \$36.3 million at March 31, 2008. At March 31, 2008, \$12.0 million of investment securities were classified as held to maturity, while \$24.3 million were classified as available for sale.

Mortgage-backed securities decreased \$1.1 million, or 10.6%, to \$9.2 million at March 31, 2008, from \$10.3 million at December 31, 2007. The decrease in mortgage-backed securities was due primarily to principal prepayments and repayments totaling \$1.1 million. At March 31, 2008, \$8.5 million of mortgage-backed securities were classified as held to maturity, while \$746,000 were classified as available for sale.

Loans receivable, including loans held for sale, increased \$799,000, or 0.3%, to \$250.6 million at March 31, 2008, from \$249.8 million at December 31, 2007. The increase reflects loan originations totaling \$16.0 million, partially offset by loan principal repayments of \$13.9 million and sales of \$798,000.

The allowance for loan losses totaled \$652,000 and \$596,000 at March 31, 2008 and December 31, 2007. 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. The \$263,000 increase in the provision for losses on loans during the quarter ended March 31, 2008 is a reflection of these factors, weaker economic conditions in the greater Cincinnati area, and the need to allocate approximately \$210,000 in specific reserves for five residential properties totaling \$425,000 which were acquired through foreclosure during the quarter ended March 31, 2008. 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, 2008.

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Cheviot Financial Corp.

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

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Discussion of Financial Condition Changes from December 31, 2007 to March 31, 2008 (continued)

Non-performing and impaired loans totaled \$683,000 and \$660,000 at March 31, 2008 and December 31, 2007, respectively. At March 31, 2008, non-performing and impaired loans were comprised solely of loans secured by one- to four-family residential real estate. The allowance for loan losses represented 95.5% and 90.3% of non-performing and impaired loans at March 31, 2008 and December 31, 2007, 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 \$300,000 or 0.1%, to \$219.8 million at March 31, 2008, from \$219.5 million at December 31, 2007. Advances from the Federal Home Loan Bank of Cincinnati increased by \$2.9 million, or 10.1%, to \$31.5 million at March 31, 2008, from \$28.7 million at December 31, 2007.

Shareholders' equity decreased \$433,000, or 0.6%, to \$67.5 million at March 31, 2008, from \$67.9 million at December 31, 2007. The decrease primarily resulted from the repurchase of our common stock totaling \$381,000 and dividends paid of \$310,000, which were partially offset by net earnings of \$97,000. At March 31, 2008, Cheviot Financial had the ability to purchase an additional 409,127 shares under its announced stock repurchase plan.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2008 and 2007

General

Net earnings for the three months ended March 31, 2008 totaled \$97,000, a \$109,000 decrease from the \$206,000 net earnings reported in the March 2007 period. The decrease in net earnings reflects an increase in the provision for losses on loans of \$263,000 and a decrease of \$67,000 in other income, which were partially offset by an increase in net interest income of \$59,000, a decrease in general, administrative and other expense of \$118,000 and a decrease of \$44,000 in federal income taxes for the 2008 quarter.

Net Interest Income

Total interest income increased \$195,000 or 4.5%, to \$4.5 million for the three-months ended March 31, 2008, from the comparable quarter in 2007. Interest income on loans increased \$123,000, or 3.3%, to \$3.8 million during the 2008 period from \$3.7 million for the 2007 period. This increase was due primarily to an \$8.1 million, or 3.3%, increase in the average balance of loans outstanding. The weighted-average yield on loans was 6.07% for both quarters ended March 31, 2008 and 2007.

Interest income on mortgage-backed securities decreased \$48,000 or 25.7%, to \$139,000 for the three months ended March 31, 2008, from \$187,000 for the 2007 quarter, due primarily to a \$4.8 million decrease in the average balance of securities outstanding, which was partially offset by a 57 basis point increase in the average yield period to period. Interest income on investment securities increased \$158,000, or 39.9%, to \$554,000 for the three months ended March 31, 2008, compared to \$396,000 for the same quarter in 2007, due primarily to a 25 basis point increase in the average yield to 5.42% in the 2008 quarter, and an increase of \$10.2 million, or 33.4% in the average balance of investment

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securities outstanding. Interest income on other interest-earning deposits decreased \$38,000, or 54.3% to \$32,000 for the three months ended March 31, 2008.

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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, 2008
and 2007 (continued)

Net Interest Income (continued)

Interest expense increased \$136,000, or 6.0%, to \$2.4 million for the three months ended March 31, 2008, from \$2.2 million for the same period in 2007. Interest expense on deposits increased by \$105,000, or 5.5%, to \$2.0 million from \$1.9 million due primarily to a 2 basis point increase in the weighted average costs of deposits to 3.71% during the 2008 period and a \$9.9 million, or 4.8%, increase in the weighted-average balance outstanding. Interest expense on borrowings increased by \$31,000, or 9.0%, due primarily to a \$4.0 million, or 13.9%, increase in the average balance outstanding, which was partially offset by a 20 basis point decrease in the average cost of borrowings.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by \$59,000, or 2.8%, to \$2.1 million for the three months ended March 31, 2008. The average interest rate spread was 2.08% for the three months ended March 31, 2008 and 2007. The net interest margin decreased to 2.80% for the three months ended March 31, 2008 from 2.84% for the three months ended March 31, 2007.

Provision for Losses on Loans

Management recorded a \$263,000 provision for losses on loans for the three months ended March 31, 2008. There was no provision for the losses on loans for the three months ended March 31, 2007. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing loans in the future, however management believes they have identified all known and inherent losses that are probable and that can be reasonably estimated within the loan portfolio, and that the allowance is adequate to absorb such losses.

Other Income

Other income decreased \$67,000, or 51.9%, to \$62,000 for the three months ended March 31, 2008, compared to the same quarter in 2007, due primarily to an increase in the loss on sale of real estate acquired through foreclosure of \$58,000 and a decrease of \$10,000 in the gain on sale of loans.

General, Administrative and Other Expense

General, administrative and other expense decreased \$118,000, or 6.1%, to \$1.8 million for the three months ended March 31, 2008, from \$1.9 million for the

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comparable quarter in 2007. This decrease is a result of a decrease of \$98,000 in employee compensation and benefits and a \$59,000 decrease in other operating expense. The decrease in employee compensation and benefits is a result of the decrease in compensation expense recorded for the fair value of ESOP shares allocated as a result of the decrease in the average stock price and a decrease in the expense related to health insurance costs. The decrease in other operating expense reflects a \$50,000 settlement which was paid during the three months ended March 31, 2007.

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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, 2008
and 2007 (continued)

Federal Income Taxes

The provision for federal income taxes decreased \$44,000, or 53.0%, to \$39,000 for the three months ended March 31, 2008, from \$83,000 for the same quarter in 2007, due primarily to a \$153,000, or 52.9%, decrease in pre-tax earnings. The effective tax rate was 28.7% for both the three month periods ended March 31, 2008 and 2007. The difference between the Corporation's effective tax rate in the 2008 and 2007 periods and the 34% statutory corporate rate is due primarily to the tax-exempt earnings on bank-owned life insurance, tax exempt interest on municipal obligations and tax benefits for the contribution to the Cheviot Savings Bank Foundation.

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, 2007.

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.

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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, 2007.

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

The Corporation announced a repurchase plan on January 16, 2008 which provides for the repurchase of 5% or 447,584 shares of our common stock. As of March 31, 2008, the Corporation had purchased 38,457 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, 2008 | 6,695 | \$9.42 | 6,695 |
| February 1-29, 2008 | 20,963 | \$10.12 | 27,658 |
| March 1 - 31, 2008 | 10,799 | \$9.88 | 38,457 |

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

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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.

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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 9, 2008

By: /s/Thomas J. Linneman

Thomas J. Linneman
President and Chief Executive Officer

Date: May 9, 2008

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;

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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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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
 - d. 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 9, 2008

/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

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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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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
 - d. 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 9, 2008

/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 9, 2008

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, 2008, 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

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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 9, 2008