

Edgar Filing: CHEVIOT FINANCIAL CORP - Form 10-Q

CHEVIOT FINANCIAL CORP  
Form 10-Q  
November 15, 2006

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 September 30, 2006

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

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

Yes  No

As of November 7, 2006, the latest practicable date, 9,416,204 shares of the

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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)

|                                                                                                                                                                     | September 30, 2006<br>(Unaudited) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| ASSETS                                                                                                                                                              |                                   |
| Cash and due from banks                                                                                                                                             | \$ 1,200                          |
| Federal funds sold                                                                                                                                                  | 1,700                             |
| Interest-earning deposits in other financial institutions                                                                                                           | 2,500                             |
| Cash and cash equivalents                                                                                                                                           | 5,500                             |
| Investment securities available for sale - at fair value                                                                                                            | 11,100                            |
| Investment securities held to maturity - at cost, approximate<br>market value of \$26,660 and \$26,509 at September 30, 2006<br>and December 31, 2005, respectively | 27,000                            |
| Mortgage-backed securities available for sale - at fair value                                                                                                       | 1,000                             |

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|                                                                                                                                                                    |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Mortgage-backed securities held to maturity - at cost, approximate market value of \$15,760 and \$20,193 at September 30, 2006 and December 31, 2005, respectively | 15,7    |
| Loans receivable - net                                                                                                                                             | 238,4   |
| Loans held for sale - at lower of cost or market                                                                                                                   | 2       |
| Real estate acquired through foreclosure - net                                                                                                                     |         |
| Office premises and equipment - at depreciated cost                                                                                                                | 4,6     |
| Federal Home Loan Bank stock - at cost                                                                                                                             | 3,1     |
| Accrued interest receivable on loans                                                                                                                               | 1,0     |
| Accrued interest receivable on mortgage-backed securities                                                                                                          |         |
| Accrued interest receivable on investments and interest-earning deposits                                                                                           | 4       |
| Prepaid expenses and other assets                                                                                                                                  | 3       |
| Bank-owned life insurance                                                                                                                                          | 3,2     |
| Prepaid federal income taxes                                                                                                                                       |         |
|                                                                                                                                                                    | -----   |
| Total assets                                                                                                                                                       | \$312,2 |
|                                                                                                                                                                    |         |
| LIABILITIES AND SHAREHOLDERS' EQUITY                                                                                                                               |         |
|                                                                                                                                                                    |         |
| Deposits                                                                                                                                                           | \$208,9 |
| Advances from the Federal Home Loan Bank                                                                                                                           | 28,4    |
| Advances by borrowers for taxes and insurance                                                                                                                      | 7       |
| Accounts payable and other liabilities                                                                                                                             | 1,0     |
| Accrued federal income taxes                                                                                                                                       |         |
| Deferred federal income taxes                                                                                                                                      | 5       |
|                                                                                                                                                                    | -----   |
| Total liabilities                                                                                                                                                  | 239,7   |
|                                                                                                                                                                    |         |
| 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 September 30, 2006 and December 31, 2005                                  |         |
| Additional paid-in capital                                                                                                                                         | 43,0    |
| Shares acquired by stock benefit plans                                                                                                                             | (4,6    |
| Treasury stock - at cost, 495,937 and 216,208 shares at September 30, 2006 and December 31, 2005, respectively                                                     | (5,8    |
| Retained earnings - restricted                                                                                                                                     | 39,9    |
| Accumulated comprehensive gain (loss), unrealized gains (losses) on securities available for sale, net of related tax effects                                      |         |
|                                                                                                                                                                    | -----   |
| Total shareholders' equity                                                                                                                                         | 72,5    |
|                                                                                                                                                                    | -----   |
| Total liabilities and shareholders' equity                                                                                                                         | \$312,2 |
|                                                                                                                                                                    | =====   |

See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands, except per share data)

Nine months ended  
September 30,

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|                                                          | 2006     | 2005     |
|----------------------------------------------------------|----------|----------|
| Interest income                                          |          |          |
| Loans                                                    | \$10,360 | \$ 9,057 |
| Mortgage-backed securities                               | 628      | 672      |
| Investment securities                                    | 938      | 710      |
| Interest-earning deposits and other                      | 225      | 166      |
|                                                          | -----    | -----    |
| Total interest income                                    | 12,151   | 10,605   |
| Interest expense                                         |          |          |
| Deposits                                                 | 4,422    | 2,862    |
| Borrowings                                               | 1,138    | 739      |
|                                                          | -----    | -----    |
| Total interest expense                                   | 5,560    | 3,601    |
|                                                          | -----    | -----    |
| Net interest income                                      | 6,591    | 7,004    |
| Provision for losses on loans                            | -        | 62       |
|                                                          | -----    | -----    |
| Net interest income after provision for losses on loans  | 6,591    | 6,942    |
| Other income (expense)                                   |          |          |
| Gain on sale of loans                                    | 23       | 13       |
| Gain on sale of office premises and equipment            | 44       | -        |
| Loss on sale of real estate acquired through foreclosure | (21)     | (8)      |
| Earnings on bank-owned life insurance                    | 100      | 74       |
| Other operating                                          | 253      | 225      |
|                                                          | -----    | -----    |
| Total other income                                       | 399      | 304      |
| General, administrative and other expense                |          |          |
| Employee compensation and benefits                       | 3,105    | 2,683    |
| Occupancy and equipment                                  | 321      | 310      |
| Property, payroll and other taxes                        | 581      | 709      |
| Data processing                                          | 209      | 201      |
| Legal and professional                                   | 309      | 383      |
| Advertising                                              | 131      | 131      |
| Other operating                                          | 416      | 402      |
|                                                          | -----    | -----    |
| Total general, administrative and other expense          | 5,072    | 4,819    |
|                                                          | -----    | -----    |
| Earnings before income taxes                             | 1,918    | 2,427    |
| Federal income taxes                                     |          |          |
| Current                                                  | 485      | 744      |
| Deferred                                                 | 129      | 60       |
|                                                          | -----    | -----    |
| Total federal income taxes                               | 614      | 804      |
|                                                          | -----    | -----    |
| NET EARNINGS                                             | \$ 1,304 | \$ 1,623 |
|                                                          | =====    | =====    |
| EARNINGS PER SHARE                                       |          |          |
| Basic                                                    | \$.14    | \$.17    |
|                                                          | =====    | =====    |
| Diluted                                                  | \$.14    | \$.17    |
|                                                          | =====    | =====    |
| Dividends declared per share                             | \$.21    | \$.18    |
|                                                          | =====    | =====    |

See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine and three months ended September 30, 2006 and 2005  
(In thousands)

|                                                                                                                                                                                                                                                              | For the nine months<br>ended September 30, |                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------|
|                                                                                                                                                                                                                                                              | 2006                                       | 2005             |
| Net earnings for the period                                                                                                                                                                                                                                  | \$1,304                                    | \$1,623          |
| Other comprehensive income, net of tax:                                                                                                                                                                                                                      |                                            |                  |
| Unrealized holding gains on securities during the<br>period, net of taxes of \$6 and \$5 for the nine<br>months ended September 30, 2006 and 2005, respectively,<br>and \$11 and \$3 for the three months ended September 30,<br>2006 and 2005, respectively | 12                                         | 8                |
| Comprehensive income                                                                                                                                                                                                                                         | \$1,316<br>=====                           | \$1,631<br>===== |
| Accumulated comprehensive income                                                                                                                                                                                                                             | \$ 4                                       | \$ 2             |

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30,  
(Unaudited)  
(In thousands)

Cash flows from operating activities:

|                                                                                             |          |
|---------------------------------------------------------------------------------------------|----------|
| Net earnings for the period                                                                 | \$ 1,304 |
| Adjustments to reconcile net earnings to net cash<br>provided by operating activities:      |          |
| Amortization of premiums and discounts on investment<br>and mortgage-backed securities, net | 12       |
| Depreciation                                                                                | 8        |
| Amortization of deferred loan origination fees - net                                        | (1)      |
| Proceeds from sale of loans in the secondary market                                         | 2,000    |
| Loans originated for sale in the secondary market                                           | (1,900)  |
| Gain on sale of loans                                                                       | (1)      |
| Loss on sale of real estate acquired through foreclosure                                    | (1)      |
| Gain on sale of office premises and equipment                                               | (1)      |
| Federal Home Loan Bank stock dividends                                                      | (1)      |
| Provision for losses on loans                                                               | (1)      |
| Amortization of expense related to stock benefit plans                                      | (1)      |

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|                                                                          |        |
|--------------------------------------------------------------------------|--------|
| Increase (decrease) in cash due to changes in:                           |        |
| Accrued interest receivable on loans                                     | (1)    |
| Accrued interest receivable on mortgage-backed securities                |        |
| Accrued interest receivable on investments and interest-earning deposits | (1)    |
| Prepaid expenses and other assets                                        | (1)    |
| Accounts payable and other liabilities                                   | 3      |
| Federal income taxes                                                     |        |
| Current                                                                  | 1      |
| Deferred                                                                 | 1      |
|                                                                          | -----  |
| Net cash provided by operating activities                                | 1,4    |
| Cash flows used in investing activities:                                 |        |
| Principal repayments on loans                                            | 29,4   |
| Loan disbursements                                                       | (45,4  |
| Purchase of U.S. Government and agency obligations                       | (8,9   |
| Proceeds from maturity of U.S. Government and agency obligations         |        |
| Purchase of municipal obligations                                        | (2,0   |
| Principal repayments on mortgage-backed securities                       | 4,6    |
| Proceeds from sale of real estate acquired through foreclosure           |        |
| Proceeds from sale of office premises and equipment                      |        |
| Purchase of office premises and equipment                                | (1,2   |
| Purchase of bank-owned life insurance                                    |        |
| Net increase in the cash surrender value of life insurance               | (1     |
|                                                                          | -----  |
| Net cash used in investing activities                                    | (23,5  |
| Cash flows provided by financing activities:                             |        |
| Net increase in deposits                                                 | 27,7   |
| Proceeds from Federal Home Loan Bank advances                            | 3,5    |
| Repayments of Federal Home Loan Bank advances                            | (8,3   |
| Advances by borrowers for taxes and insurance                            | (3     |
| Purchase of shares for stock benefit plans                               |        |
| Treasury stock repurchases                                               | (3,3   |
| Stock option expense, net                                                | 1      |
| Dividends paid on common stock                                           | (8     |
|                                                                          | -----  |
| Net cash provided by financing activities                                | 18,5   |
|                                                                          | -----  |
| Net (decrease) increase in cash and cash equivalents                     | (3,5   |
|                                                                          | -----  |
| Cash and cash equivalents at beginning of period                         | 9,1    |
|                                                                          | -----  |
| Cash and cash equivalents at end of period                               | \$ 5,5 |
|                                                                          | =====  |

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Cheviot Financial Corp.

### CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the nine months ended September 30,  
(Unaudited)  
(In thousands)

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

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for:

Federal income taxes

\$ 5

Interest on deposits and borrowings

\$ 5,5

Supplemental disclosure of noncash investing activities:

Transfers from loans to real estate acquired through foreclosure

\$

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 and nine months ended September 30, 2006 and 2005

1. Basis of Presentation

In January 2004, Cheviot Financial Corp. ("Cheviot Financial" or the "Corporation") completed a Plan of Reorganization (the "Plan" or the "Reorganization") pursuant to which Cheviot Savings Bank (the "Savings Bank") reorganized into a two-tier mutual holding company structure with the establishment of Cheviot Financial, as parent of the Savings Bank, with the Savings Bank converting to stock form and issuing all of its outstanding stock to Cheviot Financial. Pursuant to the Plan, Cheviot Financial Corp. sold 4,388,438 common shares in a minority stock offering, representing approximately 44% of its outstanding common stock at \$10.00 per share to the Savings Bank's depositors and a newly formed Employee Stock Ownership Plan ("ESOP"). The net proceeds of the offering totaled approximately \$39.3 million. In addition, 75,000 shares, or approximately one percent of its outstanding shares, were issued to a charitable foundation established by Cheviot Savings Bank. The remaining 5,455,313 shares of common stock of Cheviot Financial were issued to Cheviot Mutual Holding Company, the federally chartered mutual holding company parent of Cheviot Financial Corp.

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, 2005. 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 and nine month periods ended September 30, 2006, are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

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The accompanying consolidated financial statements as of and for the three and nine months ended September 30, 2006, 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 September 30, 2006 and December 31, 2005, we had \$28.4 million and \$33.2 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 \$108.8 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 and nine months ended September 30, 2006 and 2005

### 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 nine months ended September 30, 2006, loan originations totaled \$47.4 million, compared to \$48.2 million for the nine months ended September 30, 2005.

Total deposits increased \$27.7 million and \$1.0 million during the nine months ended September 30, 2006 and 2005. 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 September 30, 2006.

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

(In thousands)

Contractual obligations:



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|                                                       |           |          |        |
|-------------------------------------------------------|-----------|----------|--------|
| Advances from the Federal Home Loan Bank              | \$ -      | \$ -     | \$ -   |
| Certificates of deposit                               | 119,392   | 25,270   | 399    |
| Construction of branch (1)                            | 557       | -        | -      |
| Amount of loan commitments and expiration per period: |           |          |        |
| Commitments to originate one- to four-family loans    | 4,746     | -        | -      |
| Home equity lines of credit                           | 10,850    | -        | -      |
| Undisbursed loans in process                          | 7,263     | -        | -      |
| Lease obligations                                     | 3         | -        | -      |
|                                                       | -----     | -----    | -----  |
| Total contractual obligations                         | \$142,811 | \$25,270 | \$ 399 |

-----  
(1) The total commitment related to the branch was \$889,000 of which \$332,000 has been disbursed. In addition, at September 30, 2006, we were in negotiations for the construction of an additional branch.

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 and nine months ended September 30, 2006 and 2005

3. Liquidity and Capital Resources (continued)

-----  
At September 30, 2006 and 2005, we exceeded all of the applicable regulatory capital requirements. Our core (Tier 1) capital was \$50.5 million and \$60.2 million, or 16.2% and 20.7% of total assets at September 30, 2006 and 2005, respectively. In order to be classified as "well-capitalized" under federal banking regulations, we were required to have core capital of at least \$18.7 million, or 6% of assets as of September 30, 2006. 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 September 30, 2006 and 2005, we had a total risk-based capital ratio of 33.3% and 43.6%, 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 285,661 and 321,368 unallocated shares held by the ESOP for the three and nine months ended September 30, 2006 and 2005, respectively.

For the nine months ended

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September 30,  
2006                      2005

|                                                         |           |           |    |
|---------------------------------------------------------|-----------|-----------|----|
| Weighted-average common shares<br>outstanding (basic)   | 9,262,744 | 9,596,867 | 9, |
| Dilutive effect of assumed exercise<br>of stock options | 23,578    | 16,152    |    |
| Weighted-average common shares<br>outstanding (diluted) | 9,286,322 | 9,613,019 | 9, |

A total of 6,060 shares with a weighted-average exercise price of \$12.12 are not included in the earnings per share calculation for both the three and nine months ended September 30, 2006, as these shares are anti-dilutive.

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.

Prior to January 1, 2006, the Corporation utilized APB Opinion No. 25 and related Interpretations in accounting for its stock option plan. Accordingly, no compensation cost had been recognized for the plan. For the nine and three months ended September 30, 2005, net earnings would have been reduced by \$71,000, resulting in pro-forma net earnings of \$1.6 million, or \$.16 per share for the nine months period and \$489,000, or \$.05 per share for the three month period.

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 and nine months ended September 30, 2006 and 2005

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

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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 nine months ended September 30, 2006, the Corporation recorded \$129,000 in after-tax compensation cost for equity-based awards that vested during the nine months ended September 30, 2006. The Corporation has \$940,000 unrecognized pre-tax compensation cost related to non-vested equity-based awards granted under its stock incentive plan as of September 30, 2006, which is expected to be recognized over a weighted-average vesting period of approximately 3.7 years.

A summary of the status of the Corporation's stock option plan as of September 30, 2006, and changes during the period then ended is presented below:

|                                                | Nine months ended<br>September 30, 2006 | Weighted-<br>average<br>exercise<br>price |
|------------------------------------------------|-----------------------------------------|-------------------------------------------|
|                                                | Shares                                  |                                           |
| Outstanding at beginning of period             | 383,700                                 | \$11.15                                   |
| Granted                                        | 6,060                                   | 12.12                                     |
| 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 | 76,740                                  |                                           |
|                                                | =====                                   |                                           |
| Fair value of options granted                  |                                         | \$ 2.97                                   |
|                                                |                                         | =====                                     |

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

Number outstanding  
 Exercise price \$11.15 - \$12.12  
 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.

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Cheviot Financial Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three and nine months ended September 30, 2006 and 2005

### 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 2005 and 2006: dividend yield of 2.15% and 2.31%, expected volatility of 22.5% and 14.4%, risk-free interest rate of 4.19% and 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. 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.

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 is currently evaluating SFAS No. 155, but does not expect it to have a 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:

- o 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;
- o Initially measure all separately recognized servicing assets and liabilities at fair value, if practicable, and;
- o 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

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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.

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Cheviot Financial Corp.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three and nine months ended September 30, 2006 and 2005

#### 6. Effects of Recent Accounting Pronouncements (continued)

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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 is currently evaluating SFAS No. 156, but does not expect it to have a material effect on the Corporation's financial position or results of operations.

In September 2006, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 was issued to provide consistency between how registrants quantify financial statement misstatements.

Historically, there have been two widely-used methods for quantifying the effects of financial statement misstatements. These methods are referred to as the "roll-over" and "iron curtain" method. The roll-over method quantifies the amount by which the current year income statement is misstated. Exclusive reliance on an income statement approach can result in the accumulation of errors on the balance sheet that may not have been material to any individual income statement, but which may misstate one or more balance sheet accounts. The iron curtain method quantifies the error as the cumulative amount by which the current year balance sheet is misstated. Exclusive reliance on a balance sheet approach can result in disregarding the effects of errors in the current year income statement that results from the correction of an error existing in previously issued financial statements. We currently use the roll-over method for quantifying identified financial statement misstatements.

SAB 108 established an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each of the company's financial statements and the related financial statement disclosures. This approach is commonly referred to as the "dual approach" because it requires quantification of errors under both the roll-over and iron curtain methods.

SAB 108 allows registrants to initially apply the dual approach either by (1) retroactively adjusting prior financial statements as if the dual approach had always been used, or by (2) recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of April 1, 2006, with an offsetting adjustment recorded to the opening balance of retained earnings. Use of this "cumulative effect" transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it

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arose.

Management is currently evaluating the requirements of SAB 108 but does not expect it to have a material adverse effect on the Company's financial position or results of operations.

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 April 1, 2007 as to the Company. The Company is currently evaluating the requirements of FIN 48 but does not expect it to have a material adverse effect on the Company's financial position or results of operations.

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Cheviot Financial Corp.

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

#### Forward Looking Statements

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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, 2005 and at September 30, 2006

-----

Total assets increased \$20.5 million, or 7.0%, to \$312.3 million at September 30, 2006, from \$291.8 million at December 31, 2005. The increase in total assets reflects an increase in loans receivable, investment securities, as well as the book value of office premises and equipment, which were partially offset by a decrease in cash and cash equivalents and mortgage-backed securities.

Cash, federal funds sold and interest-earning deposits decreased \$3.5 million, or 38.8%, to \$5.6 million at September 30, 2006, from \$9.1 million at December 31, 2005. The decrease in cash and cash equivalents at September 30, 2006, was due to a \$1.2 million decrease in cash and cash due from banks and a decrease in interest earning deposits of \$2.4 million. Investment securities increased \$11.1 million to \$38.2 million at September 30, 2006 due primarily to the purchase of U.S. Government and agency obligations and municipal obligations of \$9.0 million and \$2.1 million, respectively. At September 30, 2006, \$27.1 million of investment securities were classified as held to maturity, while \$11.1 million were classified as available for sale.

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Mortgage-backed securities decreased \$4.7 million, or 21.7%, to \$16.9 million at September 30, 2006, from \$21.6 million at December 31, 2005. The decrease in mortgage-backed securities was due primarily to principal prepayments and repayments totaling \$4.7 million. At September 30, 2006, \$15.8 million of mortgage-backed securities were classified as held to maturity, while \$1.1 million 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 \$16.0 million, or 7.2%, to \$238.7 million at September 30, 2006, from \$222.7 million at December 31, 2005. The increase reflects loan originations totaling \$47.4 million, partially offset by loan principal repayments of \$29.5 million and sales of \$2.0 million.

The allowance for loan losses totaled \$808,000 at both September 30, 2006 and December 31, 2005, respectively. 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 September 30, 2006. 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 September 30, 2006.

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Cheviot Financial Corp.

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

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

-----  
Non-performing and impaired loans totaled \$12,000 and \$149,000 at September 30, 2006 and December 31, 2005, respectively. At September 30, 2006, non-performing and impaired loans were comprised solely of one loan secured by one- to four-family residential real estate. The allowance for loan losses represented 6733.3% and 542.3% of non-performing and impaired loans at September 30, 2006 and December 31, 2005, 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 \$27.7 million, or 15.3%, to \$208.9 million at September 30, 2006, from \$181.2 million at December 31, 2005. Advances from the Federal Home Loan Bank of Cincinnati decreased by \$4.8 million, or 14.5%, to \$28.4 million at

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September 30, 2006, from \$33.2 million at December 31, 2005. Deposit growth allowed for the repayment of advances from the Federal Home Loan Bank.

Shareholders' equity decreased \$2.3 million, or 3.0%, to \$72.5 million at September 30, 2006, from \$74.8 million at December 31, 2005. The decrease primarily resulted from the repurchase of treasury shares of \$3.4 million and dividends paid of \$854,000, which were partially offset by net earnings of \$1.3 million, vesting of \$406,000 of stock benefit plan shares and amortization of shares for stock benefit plans of \$36,000.

Comparison of Operating Results for the Nine-Month Periods Ended September 30, 2006 and 2005

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### General

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Net earnings for the nine months ended September 30, 2006 totaled \$1.3 million, a \$319,000 decrease from the \$1.6 million net earnings reported in the September 2005 period. The decrease in net earnings reflects a \$253,000 increase in general and administrative expense in 2006 and a decrease in net interest income after provision for loan losses of \$351,000, which was partially offset by an increase in other income of \$95,000 and a decrease of \$190,000 in federal income taxes for the 2006 period.

### Net Interest Income

-----

Total interest income increased \$1.5 million, or 14.6%, to \$12.2 million for the nine-months ended September 30, 2006, from the comparable period in 2005. Interest income on loans increased \$1.3 million, or 14.4%, to \$10.4 million during the 2006 period from \$9.1 million for the 2005 period. This increase was due primarily to a \$22.3 million, or 10.7%, increase in the average balance of loans outstanding, and a 19 basis point increase in the weighted-average yield on loans to 5.98% for 2006 period from 5.79% for the nine months ended September 30, 2005.

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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 Nine-Month Periods Ended September 30, 2006 and 2005 (continued)

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### Net Interest Income (continued)

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Interest income on mortgage-backed securities decreased \$44,000, or 6.5%, to \$628,000 for the nine months ended September 30, 2006, from \$672,000 for the 2005 period, due primarily to a \$8.1 million decrease in the average balance of securities outstanding, which was partially offset by a 110 basis point increase in the average yield period to period. Interest income on investment securities increased \$228,000, or 32.1%, to \$938,000 for the nine months ended September 30, 2006, compared to \$710,000 for the same period in 2005, due primarily to a



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99 basis point increase in the average yield to 4.26% in the 2006 period, and a \$397,000, or 1.4% increase in the average balance of investment securities outstanding. Interest income on other interest-earning deposits increased \$59,000, or 35.5% to \$225,000 for the nine months ended September 30, 2006, compared to \$166,000 for the same period in 2005, due primarily to a 208 basis point increase in the average yield to 5.10% in the 2006 period, which was partially offset by a \$1.4 million, or 19.6% decrease in the average balance of interest-earning deposits.

Interest expense increased \$2.0 million, or 54.4%, to \$5.6 million for the nine months ended September 30, 2006, from \$3.6 million for the same period in 2005. Interest expense on deposits increased by \$1.6 million, or 54.5%, to \$4.4 million from \$2.9 million due primarily to a 96 basis point increase in the weighted average costs of deposits to 3.11% during the 2006 period and a \$12.0 million increase in the weighted-average balance outstanding. Interest expense on borrowings increased by \$399,000, or 54.0%, due primarily to a \$9.7 million, or 44.0%, increase in the average balance outstanding and a 31 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 September 2006 period.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased by \$413,000, or 5.9%, to \$6.6 million for the nine months ended September 30, 2006. The average interest rate spread decreased to 2.33% for the nine months ended September 30, 2006 from 2.79% for the nine months ended September 30, 2005. The net interest margin decreased to 3.08% for the nine months ended September 30, 2006 from 3.43% for the nine months ended September 30, 2005.

### Provision for Losses on Loans

As a result of the allowance for loan losses analysis described elsewhere herein, management concluded that the allowance for loan loss was adequate, and therefore, did not record a provision for losses on loans for the nine-months ended September 30, 2006. During the nine months ended September 30, 2005, management made a provision for losses on loans of \$62,000. As stated previously, 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 \$95,000, or 31.3%, to \$399,000 for the nine months ended September 30, 2006, compared to the same period in 2005, due primarily to an increase of \$26,000 in earnings on bank-owned life insurance, an increase in the gain on sale of loans of \$10,000, and an increase in the gain on sale of office premises and equipment of \$44,000 and an increase in other operating income of \$28,000, which was partially offset by an increase in the loss on the sale of real estate acquired through foreclosure of \$13,000.

Cheviot Financial Corp.

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Comparison of Operating Results for the Nine-Month Periods Ended September 30, 2006 and 2005 (continued)

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### General, Administrative and Other Expense

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General, administrative and other expense increased \$253,000, or 5.3%, to \$5.1 million for the nine months ended September 30, 2006, from \$4.8 million for the comparable period in 2005. This increase is a result of an increase of \$422,000 in employee compensation, which was partially offset by a decrease of \$128,000 in property, payroll, and other taxes and a decrease in legal and professional expenses of \$74,000. The increase in employee compensation and benefits is due primarily to an increase in expense related to stock benefit plans and an increase in the number of employees as a result of the Corporation's growth. The decrease in property, payroll, and other taxes is due primarily to a decrease in Ohio franchise tax. The decrease in legal and professional expenses was due primarily to a decline in the amount of professional services provided during the 2006 period.

### Federal Income Taxes

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The provision for federal income taxes decreased \$190,000, or 23.6%, to \$614,000 for the nine months ended September 30, 2006, from \$804,000 for the same period in 2005, due primarily to a \$509,000, or 21.0%, decrease in pre-tax earnings. The effective tax rate was 32.0% and 33.1% for the nine month periods ended September 30, 2006 and 2005. The difference between the Corporation's effective tax rate in the 2006 and 2005 periods and the 34% statutory corporate rate reflects primarily the tax exempt earnings on bank-owned life insurance.

Comparison of Operating Results for the Three-Month Periods Ended September 30, 2006 and 2005

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### General

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Net earnings for the three months ended September 30, 2006 totaled \$437,000, an \$123,000 decrease from the \$560,000 net earnings reported in the September 2005 period. The decrease in net earnings reflects a decrease in net interest income after the provision for losses on loans of \$149,000, and an increase of \$116,000, in general, administrative and other expenses, which was partially offset by an increase in other income of \$64,000 and a decrease of \$78,000 in federal income taxes for the 2006 quarter.

### Net Interest Income

-----

Total interest income increased \$601,000, or 16.3%, to \$4.3 million for the three-months ended September 30, 2006, from the comparable quarter in 2005. Interest income on loans increased \$445,000, or 14.2%, to \$3.6 million during the 2006 period from \$3.1 million for the 2005 period. This increase was due primarily to a \$20.2 million, or 9.3%, increase in the average balance of loans outstanding, and a 26 basis point increase in the weighted-average yield on loans to 6.07% for 2006 quarter from 5.81% for the three months ended September 30, 2005.

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

Comparison of Operating Results for the Three-Month Periods Ended September 30,  
2006 and 2005 (continued)

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Net Interest Income (continued)

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Interest income on mortgage-backed securities decreased \$29,000, or 12.4%, to \$204,000 for the three months ended September 30, 2006, from \$233,000 for the 2005 quarter, due primarily to a \$22.9 million decrease in the average balance of securities outstanding, which was partially offset by a 92 basis point increase in the average yield period to period. Interest income on investment securities increased \$127,000, or 50.2%, to \$380,000 for the three months ended September 30, 2006, compared to \$253,000 for the same quarter in 2005, due primarily to a 113 basis point increase in the average yield to 4.49% in the 2006 quarter, and an increase of \$3.8 million, or 12.5% in the average balance of investment securities outstanding. Interest income on other interest-earning deposits increased \$58,000, or 101.8% to \$115,000 for the three months ended September 30, 2006.

Interest expense increased \$780,000, or 57.7%, to \$2.1 million for the three months ended September 30, 2006, from \$1.4 million for the same period in 2005. Interest expense on deposits increased by \$735,000, or 70.2%, to \$1.8 million from \$1.1 million due primarily to a 115 basis point increase in the weighted average costs of deposits to 3.50% during the 2006 period and a \$25.8 million, or 14.5%, increase in the weighted-average balance outstanding. Interest expense on borrowings increased by \$45,000, or 14.8%, due primarily to a \$1.7 million, or 6.3%, increase in the average balance outstanding and a 34 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 September 2006 quarter.

As a result of the foregoing changes in interest income and interest expense, net interest income decreased by \$179,000, or 7.7%, to \$2.2 million for the three months ended September 30, 2006. The average interest rate spread decreased to 2.13% for the three months ended September 30, 2006 from 2.67% for the three months ended September 30, 2005. The net interest margin decreased to 2.91% for the three months ended September 30, 2006 from 3.36% for the three months ended September 30, 2005.

Provision for Losses on Loans

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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 September 30, 2006. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing loans in the future. During the three months ended September 30, 2005, management made a provision for losses on loans of \$30,000.

Other Income

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Other income increased \$64,000, or 57.1%, to \$176,000 for the three months ended September 30, 2006, compared to the same quarter in 2005, due primarily to a gain on the sale of office premises and equipment totaling \$44,000, an increase of \$7,000 in earnings on bank-owned life insurance and an increase in other operating income of \$10,000.

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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 September 30, 2006 and 2005 (continued)

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#### General, Administrative and Other Expense

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General, administrative and other expense increased \$116,000, or 7.4%, to \$1.7 million for the three months ended September 30, 2006, from \$1.6 million for the comparable quarter in 2005. This increase is a result of an increase of \$142,000 in employee compensation and benefits, a \$30,000 increase in occupancy and equipment and a \$22,000 increase in legal and professional services, which were partially offset by a \$66,000 decrease in property, payroll, and other taxes and a \$14,000 decrease in data processing. The decrease in data processing cost was due primarily to the implementation of online banking during 2005. The decrease in property, payroll, and other taxes is due primarily to a decrease in Ohio franchise tax. The increase in employee compensation and benefits is due primarily to an increase in expense related to stock benefit plans and an increase in the number of employees as a result of the Corporation's growth. The increase in occupancy and equipment is due primarily to expense incurred for the operation of the new branch in Delhi, Ohio. The increase in legal and professional services was due primarily to expenses incurred in the preliminary proceedings in litigation wherein the Corporation is defending its security interest in collateral.

#### Federal Income Taxes

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The provision for federal income taxes decreased \$78,000, or 28.0%, to \$201,000 for the three months ended September 30, 2006, from \$279,000 for the same quarter in 2005, due primarily to a \$201,000, or 24.0%, decrease in pre-tax earnings. The effective tax rate was 31.5% and 33.3% for the three month periods ended September 30, 2006 and 2005. The difference between the Corporation's effective tax rate in the 2006 and 2005 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, 2005.

#### ITEM 4 CONTROLS AND PROCEDURES

The Corporation's Chief Executive Officer and Chief Financial Officer evaluated

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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 significant 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

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None.

ITEM 1A. Risk Factors

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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, 2005.

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

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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 September 30, 2006, the Corporation has not purchased any shares pursuant to the program.

The Corporation announced a repurchase plan on March 29, 2005 which provided for the repurchase of 5% or 495,937 shares of our common stock. As of September 30, 2006, the Corporation had purchased all shares pursuant to the program.

| Period                 | Total<br># of shares<br>purchased | Average<br>price paid<br>per share |
|------------------------|-----------------------------------|------------------------------------|
| -----                  | -----                             | -----                              |
| July 1-31, 2006        | 20,295                            | \$11.89                            |
| August 1-31, 2006      | 46,073                            | \$12.02                            |
| September 1 - 30, 2006 | -                                 | \$ -                               |

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ITEM 3. Defaults Upon Senior Securities  
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Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders  
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None.

ITEM 5. Other Information  
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None.

ITEM 6. Exhibits  
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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.

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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: November 14, 2006

By: /s/ Thomas J. Linneman  
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Thomas J. Linneman  
President and Chief Executive Officer

Date: November 14, 2006

By: /s/ Scott T. Smith  
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Scott T. Smith  
Chief Financial Officer

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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

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employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2006

/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



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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: November 14, 2006

/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 September 30, 2006, 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

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Thomas J. Linneman  
President and Chief Executive Officer

Date: November 14, 2006

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

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In connection with the Quarterly Report of Cheviot Financial Corp. (the "Company"), on Form 10-Q for the period ended September 30, 2006, 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

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Scott T. Smith  
Chief Financial Officer

Date: November 14, 2006