CHEVIOT FINANCIAL CORP
Form 10-Q
August 15, 2005

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from ____________ to _______________

Commission File No. 0-50529

CHEVIOT FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

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

3723 Glenmore Avenue, Cincinnati, Ohio 45211

(Address of principal executive office)

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

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

Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

As of August 5, 2005, the latest practicable date, 9,918,751 shares of the registrant's common stock, $.01 par value, were issued and outstanding.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

ASSETS	June 3 20 (Unaudite
Cash and due from banks	$ 2,4
Federal funds sold	3,0
Interest-earning deposits in other financial institutions	3,2
Cash and cash equivalents	8,7
Investment securities held to maturity - at cost, approximate market value of $26,803 and $26,864 at June 30, 2005 and December 31, 2004, respectively	27,0
Mortgage-backed securities available for sale - at fair value	1,4
Mortgage-backed securities held to maturity - at cost, approximate market value of $25,246 and $29,315 at June 30, 2005 and December 31, 2004, respectively	25,0
Loans receivable - net	207,8
Real estate acquired through foreclosure - net	
Office premises and equipment - at depreciated cost	3,4
Federal Home Loan Bank stock - at cost	2,9
Accrued interest receivable on loans	7

Accrued interest receivable on mortgage-backed securities	
Accrued interest receivable on investments and interest-earning deposits	2
Bank-owned life insurance	3,0
Prepaid expenses and other assets	2
Prepaid federal income taxes	1
Total assets	$281,1
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits	$180,8
Advances from the Federal Home Loan Bank	20,9
Advances by borrowers for taxes and insurance	3
Accounts payable and other liabilities	9
Accrued federal income taxes	
Deferred federal income taxes	3
Total liabilities	203,5
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 and outstanding at both June 30, 2005 and December 31, 2004	
Additional paid-in capital	42,7
Retained earnings - restricted	38,9
Shares acquired by stock benefit plans	(4,1
Other comprehensive income (loss), unrealized losses on securities available for sale, net of tax effects	
Total shareholders' equity	77,6
Total liabilities and shareholders' equity	$281,1

See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Six months ended June 30, 2005	Six months ended June 30, 2004
Interest income		
Loans	$5,918	$5,444
Mortgage-backed securities	439	367
Investment securities	457	323
Interest-earning deposits and other	109	133

Total interest income	6,923	6,267
Interest expense		
Deposits	1,815	1,656
Borrowings	435	220
Total interest expense	2,250	1,876
Net interest income	4,673	4,391
Provision for losses on loans	32	-
Net interest income after provision for losses on loans	4,641	4,391
Other income (expense)		
Gain on sale of loans	4	33
Loss on sale of real estate acquired through foreclosure	(6)	(13)
Other operating	194	97
Total other income	192	117
General, administrative and other expense		
Employee compensation and benefits	1,763	1,604
Occupancy and equipment	226	211
Property, payroll and other taxes	477	337
Data processing	115	119
Legal and professional	306	166
Advertising	88	78
Contribution to Cheviot Savings Bank Charitable Foundation	-	1,500
Other operating	270	257
Total general, administrative and other expense	3,245	4,272
Earnings before income taxes	1,588	236
Federal income taxes		
Current	470	506
Deferred	55	(168)
Total federal income taxes	525	338
NET EARNINGS (LOSS)	$1,063	$ (102)
EARNINGS (LOSS) PER SHARE		
Basic	$ .11	$ (.01)
Diluted	$ .11	N/A

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2005 and 2004
(In thousands)

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Cash flows from operating activities:	
Net earnings (loss) for the period	$ 1,0
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:	
Amortization of premiums and discounts on investment and mortgage-backed securities, net	
Depreciation	1
Amortization of deferred loan origination (fees) costs - net	(
Proceeds from sale of loans in the secondary market	6
Loans originated for sale in the secondary market	(6
Gain on sale of loans	
Loss on sale of real estate acquired through foreclosure	
Federal Home Loan Bank stock dividends	(
Provision for losses on loans	
Amortization of expense related to stock benefit plans	1
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-bearing deposits	(
Prepaid expenses and other assets	
Accounts payable and other liabilities	(
Federal income taxes	
Current	(3
Deferred	
Net cash provided by operating activities	8
Cash flows provided by (used in) investing activities:	
Principal repayments on loans	19,6
Loan disbursements	(23,7
Purchase of U.S. Government and agency obligations	(1,9
Proceeds from maturity of U.S. Government and agency obligations	2,0
Purchase of mortgage-backed securities	
Principal repayments on mortgage-backed securities	4,1
Proceeds from sale of real estate acquired through foreclosure	
Purchase of office premises and equipment	(6
Purchase of bank-owned life insurance	(3,0
Net increase in the cash surrender value of life insurance	(
Net cash used in investing activities	(3,4
Cash flows provided by (used in) financing activities:	
Net increase (decrease) in deposits	8
Proceeds from Federal Home Loan Bank advances	7,0
Repayments on Federal Home Loan Bank advances	(2,2
Advances by borrowers for taxes and insurance	(6
Repurchase of shares for stock benefit plans	(9
Proceeds from issuance of common stock	
Dividends paid on common stock	(5
Net cash provided by (used in) financing activities	3,5
Net increase (decrease) in cash and cash equivalents	9
Cash and cash equivalents at beginning of period	7,7
Cash and cash equivalents at end of period	$ 8,7

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the six months ended June 30, 2005 and 2004
(In thousands)

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Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Federal income taxes	$ 7
Interest on deposits and borrowings	$2,2
Supplemental disclosure of noncash investing activities:	
Transfer of 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 six months ended June 30, 2005 and 2004

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 the Savings Bank's 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 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, 2004. 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 six month periods ended June 30, 2005, 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 and six months ended June 30, 2005, include the accounts of the Corporation and its wholly-owned subsidiary, the Savings Bank. All significant intercompany items have been eliminated.

3. 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 totaled 9,597,383 for the three and six month periods ended June 30, 2005, which gives effect to 321,368 unallocated ESOP shares and 35,707 allocated ESOP shares. For the three and six months ended June 30, 2004, weighted-average shares deemed outstanding totaled 9,561,676, which gives effect to 357,075 unallocated ESOP shares.

Diluted earnings per share is computed taking into consideration common shares outstanding and dilutive potential common share equivalents. The Corporation had no dilutive or potentially dilutive securities during the three and six month periods ended June 30, 2004. The Corporation approved a Stock Option Plan on April 26, 2005, which provides for the issuance of 486,018 shares under option. On May 5, 2005, approximately 384,000 option shares were granted subject to five year vesting. None of these shares were included in diluted earnings per share for the three or six months ended June 30, 2005 as the strike price closely approximated market price at that date.

4. Effects of Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (the "FASB") issued a revision to Statement of Financial Accounting Standards ("SFAS") No. 123 which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily on accounting for transactions in which an entity obtains employee services in share-based transactions. This Statement, SFAS No. 123 (R) "Share-Based Payment", requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, with limited exceptions. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award - the requisite service period. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met.

Initially, the cost of employee services received in exchange for an award of liability instruments will be measured based on current fair value; the fair value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation cost over that period. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

Excess tax benefits, as defined by SFAS 123(R) will be recognized as an addition to additional paid in capital. Cash retained as a result of those excess tax benefits will be presented in the statement of cash flows as financing cash inflows. The write-off of deferred tax assets relating to unrealized tax benefits associated with recognized compensation cost will be recognized as income tax expense unless there are excess tax benefits from previous awards remaining in additional paid in capital to which it can be offset.

As stated previously, Cheviot Financial's shareholders approved a stock incentive plan (the "Plan") at the Corporation's Annual Meeting held on April 26, 2005. The Plan provides for the award of restricted stock and options to purchase common stock. The Corporation will recognize compensation costs on option shares pursuant to SFAS No. 123(R) in calendar 2006.

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 from December 31, 2004 to June 30, 2005

Total assets increased $4.6 million, or 1.7%, to $281.2 million at June 30, 2005, from $276.6 million at December 31, 2004. The increase in total assets is primarily due to the purchase of the bank-owned life insurance totaling $3.0 million during the six month period ended June 30, 2005, as well as increases in interest-earning deposits and loans receivable, partially offset by a decrease in mortgage-backed securities.

Cash, federal funds sold and interest-earning deposits increased $1.0 million, or 12.7%, to $8.7 million at June 30, 2005, from the $7.7 million total at December 31, 2004. The increase in cash and cash equivalents was due to a $2.7 million increase in interest-earning deposits, which was partially offset by a decrease in cash and cash due from banks of $373,000, or 13.2%, and a decrease in federal funds sold of $1.3 million, or 30.6%, at June 30, 2005. Investment securities decreased $22,000, or 0.1%, to $27.1 million at June 30, 2005. All investment securities are classified as held to maturity.

Mortgage-backed securities decreased $4.2 million, or 13.6%, to $26.5 million at June 30, 2005, from $30.7 million at December 31, 2004. The decrease in mortgage-backed securities was due primarily to principal prepayments and repayments totaling $4.2 million. At June 30, 2005, $25.1 million of mortgage-backed securities were classified as held to maturity, while $1.4 million were classified as available for sale. Since June 2004, management has focused on shorter term investments primarily in an effort to further enhance the Corporation's interest rate risk position.

Loans receivable increased $4.0 million, or 2.0%, to $207.8 million at June 30, 2005, from $203.8 million at December 31, 2004. The increase resulted from loan originations totaling $23.7 million and sales of $648,000, partially offset by loan principal repayments of $19.7 million.

The allowance for loan losses totaled $764,000 and $732,000 at June 30, 2005 and December 31, 2004, 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 an additional $32,000 to the provision for loss for the quarter ended June 30, 2005. 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 June 30, 2005.

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

Discussion of Financial Condition Changes from December 31, 2004 to June 30, 2005 (continued)

Non-performing and impaired loans totaled $206,000 and $251,000 at June 30, 2005 and December 31, 2004, respectively. At June 30, 2005, non-performing and impaired loans were comprised of loans secured by one-to four-family residential real estate totaling $112,000 and nonresidential real estate totaling $94,000. The allowance for loan losses represented 370.9% and 291.6% of non-performing and impaired loans at June 30, 2005 and December 31, 2004, respectively. Although management believes that its 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 $890,000, or 0.5%, to $180.9 million at June 30, 2005, from $180.0 million at December 31, 2004. Advances from the Federal Home Loan Bank of Cincinnati increased by $4.8 million, or 29.5%, to $21.0 million at June 30, 2005, from $16.2 million at December 31, 2004. The Corporation utilized the advance proceeds to partially fund growth in the loan portfolio.

Shareholders' equity decreased $304,000, or 0.4%, to $77.6 million at June 30, 2005, from $77.9 million at December 31, 2004. The decrease resulted from the repurchase of shares for stock benefit plans of $935,000 and dividends paid of $536,000, which were partially offset by net earnings of $1.1 million and amortization of ESOP expense of $100,000.

Cheviot Savings Bank is required to maintain minimum regulatory capital pursuant to federal regulations. At June 30, 2005, the Savings Bank's regulatory capital substantially exceeded all minimum regulatory capital requirements.

Comparison of Operating Results for the Six-Month Periods Ended June 30, 2005 and 2004

General

Net earnings for the six months ended June 30, 2005 totaled $1.1 million, a $1.2 million increase from the $102,000 net loss reported for the June 2004 period. The increase in net earnings reflects $1.0 million decrease in general and administrative expenses in 2005 reflecting the absence of a nonrecurring $1.5 million contribution to the Cheviot Savings Bank Charitable Foundation in 2004. In addition, net interest income increased by $282,000 and other income increased by $75,000, which were partially offset by a $187,000 increase in federal income taxes for the 2005 quarter.

Net Interest Income

Total interest income increased $656,000, or 10.5%, to $6.9 million for the six-months ended June 30, 2005, from the comparable period in 2004. Interest income on loans increased $474,000, or 8.7%, to $5.9 million during the 2005 period, from $5.4 million for the 2004 period. This increase was due primarily to a $15.8 million, or 8.3%, increase in the average balance of loans outstanding, and a 2 basis point increase in the weighted-average yield on loans, to 5.73 % for 2005 period from 5.71% for the six months ended June 30, 2004.

Comparison of Operating Results for the Six-Month Periods Ended June 30, 2005 and 2004 (continued)

Net Interest Income (continued)

Interest income on mortgage-backed securities increased $72,000, or 19.6%, to $439,000 for the six months ended June 30, 2005, from $367,000 for the 2004 period, due primarily to a 55 basis point increase in the average yield, partially offset by a $182,000 decrease in the average balance of securities outstanding. Interest income on investment securities increased $134,000, or 41.5%, to $457,000 for the six months ended June 30, 2005, compared to $323,000 for the same period in 2004, due primarily to a 122 basis point increase in the average yield to 3.35% in the 2005 period, which was partially offset by a $3.0 million, or 9.9% decrease in the average balance of investment securities outstanding. Interest income on interest-earning deposits decreased $24,000, or 18.0%, to $109,000 for the six months ended June 30, 2005, due primarily to a $11.3 million decrease in the average balance of interest-earning deposits, compared to the same period in 2004, partially offset by a 113 basis point increase in the weighted-average yield, to 2.44% for the six months ended June 30, 2005.

Interest expense increased $374,000, or 19.9%, to $2.3 million for the six months ended June 30, 2005, from $1.9 million for the same period in 2004. Interest expense on deposits increased by $159,000, or 9.6%, to $1.8 million from $1.7 million due primarily to a $7.5 million, or 4.0%, decline in the weighted-average balance outstanding, which was partially offset by a 25 basis point increase in the weighted average costs of deposits to 2.04% in the 2005 period. Interest expense on borrowings increased by $215,000, or 97.7%, due primarily to a $10.4 million, or 101.4%, increase in the average balance outstanding, which was partially offset by an 8 basis point decline 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 short-term interest rates during 2005.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $282,000, or 6.4%, to $4.7 million for the six months ended June 30, 2005, from $4.4 million for the comparable period ended June 31, 2004. The average interest rate spread increased to 2.87% for the six months ended June 30, 2005 from 2.76% for the six months ended June 30, 2004. The net interest margin increased to 3.47% for the six months ended June 30, 2005 from 3.27% for the six months ended June 30, 2004.

Provision for Losses on Loans

As a result of an analysis of historical experience, the volume and type of lending conducted by the Savings Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Savings Bank's market area, and other factors related to the collectibility of the Savings Bank's loan portfolio, management recorded a $32,000 provision for losses on loans for the six-months ended June 30, 2005. Management's analysis of the allowance resulted in no provision for losses on loans for the six months ended June 30, 2004. There can be no assurance that the loan loss allowance will be sufficient to cover losses on nonperforming loans in the future.

Other Income

Other income increased $75,000, or 64.1%, to $192,000 for the six months ended June 30, 2005, compared to the same period in 2004, due primarily to an increase in other operating income of $97,000, or 100%, to $194,000 for the six months ended June 30, 2005 from $97,000 for the prior period and a decrease in the loss on sale of real estate acquired through foreclosure of $7,000, which were partially offset by a decrease in the gain on sale of loans of $29,000, or 87.9%.

Comparison of Operating Results for the Six-Month Periods Ended June 30, 2005 and 2004 (continued)

General, Administrative and Other Expense

General, administrative and other expense decreased $1.0 million, or 24.0%, to $3.2 million for the six months ended June 30, 2005, from $4.3 million for the comparable period in 2004. This decrease is a result of a $1.5 million expense recorded during the first quarter of 2004 in connection with the Corporation's contribution to the Cheviot Savings Bank Charitable Foundation. This decrease was partially offset by an increase of $159,000, or 9.9% in employee compensation and benefits expenses, an increase of $140,000, or 41.5% in property, payroll and other taxes and an increase of $140,000, or 84.3% in legal and professional expenses. The increase in employee compensation and benefits is due primarily to an increase in expense related to stock benefit plans, an increase in contributions to the retirement plan and an increase in the number of employees as a result of the Company's growth. The increase in property, payroll and other taxes is due primarily to an increase in the Ohio Franchise tax imposed as a result of the overall increase in the net worth of the Company following the completion of its mutual holding company reorganization and minority stock offering in 2004. The increase in legal and professional expense was due primarily to expenses associated with the reporting requirements of a public company and professional services in connection with the implementation and design of Sarbanes-Oxley audit documentation.

Federal Income Taxes

The provision for federal income taxes increased $187,000, or 55.3%, to $525,000 for the six months ended June 30, 2005, from $338,000 for the same period in 2004, due primarily to a $1.4 million increase in pre-tax earnings. The effective tax rate was 33.1% for the six month period ended June 30, 2005. The federal income tax provision for the 2004 period totaled $338,000. The difference between the 2004 provision and tax benefits refundable at the 34% statutory corporate rate results from the inability to fully deduct contributions to the Cheviot Savings Bank Foundation.

Comparison of Operating Results for the Three-Month Periods Ended June 30, 2005 and 2004

General

Net earnings for the three months ended June 30, 2005 totaled $424,000, a $166,000 decrease from the $590,000 net earnings reported in the June 2004 period. The decrease in net earnings reflects a $369,000 increase in general and administrative expenses in 2005, which was partially offset by an increase in net interest income of $57,000, an increase in other income of $72,000 and a decrease of $106,000 in federal income taxes for the 2005 quarter.

Net Interest Income

Total interest income increased $312,000, or 9.8%, to $3.5 million for the three-months ended June 30, 2005, from the comparable quarter in 2004. Interest income on loans increased $237,000, or 8.7%, to $3.0 million during the 2005 period from $2.7 million for the 2004 period. This increase was due primarily to a $11.0 million, or 5.7%, increase in the average balance of loans outstanding, and a 16 basis point increase in the weighted-average yield on loans to 5.79% for 2005 quarter from 5.63% for the three months ended June 30, 2004.

Comparison of Operating Results for the Three-Month Periods Ended June 30, 2005 and 2004 (continued)

Net Interest Income (continued)

Interest income on mortgage-backed securities increased $30,000, or 15.6%, to $222,000 for the three months ended June 30, 2005, from $192,000 for the 2004 quarter, due primarily to a 55 basis point increase in the average yield year to year, which was partially offset by a $1.3 million decrease in the average balance of securities outstanding. Interest income on investment securities increased $29,000, or 13.8%, to $239,000 for the three months ended June 30, 2005, compared to $210,000 for the same quarter in 2004, due primarily to a 58 basis point increase in the average yield to 3.37% in the 2005 quarter, which was partially offset by a $1.7 million, or 5.6% decrease in the average balance of investment securities outstanding. Interest income on other interest-earning deposits increased $16,000, or 30.8%, to $68,000 for the three months ended June 30, 2005, due primarily to a 215 basis point increase in the weighted-average yield, to 3.64% for the three months ended June 30, 2005, partially offset by a $6.5 million decrease in the average balance of interest-earning deposits.

Interest expense increased $255,000, or 27.5%, to $1.2 million for the three months ended June 30, 2005, from $927,000 for the same period in 2004. Interest expense on deposits increased by $137,000, or 16.9%, to $949,000 from $812,000 due primarily to a 37 basis point increase in the weighted average costs of deposits to 2.14% in the 2005 period, which was partially offset by a $6.5 million decrease in the weighted-average balance outstanding. Interest expense on borrowings increased by $118,000, or 102.6%, due primarily to a $7.9 million, or 69.0%, increase in the average balance outstanding and an 80 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 market rates in the June 2005 quarter.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $57,000, or 2.5%, to $2.3 million for the three months ended June 30, 2005. The average interest rate spread decreased to 2.79% for the three months ended June 30, 2005 from 2.86% for the three months ended June 31, 2004. The net interest margin increased to 3.44% for the three months ended June 30, 2005 from 3.37% for the three months ended June 30, 2004.

Provision for Losses on Loans

As a result of an analysis of historical experience, the volume and type of lending conducted by the Savings Bank, the status of past due principal and interest payments, general economic conditions, particularly as such conditions relate to the Savings Bank's market area, and other factors related to the collectibility of the Savings Bank's loan portfolio, management recorded a $32,000 provision for losses on loans for the three-months ended June 30, 2005. Management's analysis in the 2004 period resulted in no provision for losses on loans for the three months ended June 30, 2004. There can be no assurance that the loan loss allowance will be sufficient to cover losses on nonperforming loans in the future.

Other Income

Other income increased $72,000, or 175.6%, to $113,000 for the three months ended June 30, 2005, compared to the same quarter in 2004, due primarily to an increase in other operating income of $69,000, or 168.3%, to $110,000 for the three months ended June 30, 2005 from $41,000 for the prior period and an increase in the gain on sale of loans of $3,000.

Comparison of Operating Results for the Three-Month Periods Ended June 30, 2005 and 2004 (continued)

General, Administrative and Other Expense

General, administrative and other expense increased $369,000, or 26.4%, to $1.8 million for the three months ended June 30, 2005, from $1.4 million for the comparable quarter in 2004. This increase is a result of an increase of $138,000 in employee compensation and benefits, an increase of $143,000 in property, payroll, and other taxes and a $84,000 increase in legal and professional expenses. These increases were partially offset by a decrease of $14,000, or

9.4% in other operating expense. The increase in employee compensation and benefits is due primarily to an increase in expense related to stock benefit plans, an increase in contributions to the retirement plan and an increase in the number of employees as a result of the Company's growth. The increase in property, payroll, and other taxes is due primarily to an increase in Ohio franchise tax imposed as a result of the overall increase in the net worth of the Company following the completion of its mutual holding company reorganization and minority stock offering in 2004. The increase in legal and professional expense was due primarily to expenses associated with the reporting requirements of a public company and professional services in connection with the implementation and design of Sarbanes-Oxley audit documentation.

Federal Income Taxes

The provision for federal income taxes decreased $106,000, or 34.6%, to $200,000 for the three months ended June 30, 2005, from $306,000 for the same quarter in 2004, due primarily to a $272,000, or 30.4%, decrease in pre-tax earnings. The effective tax rate was 32.1% and 34.2% for the three month periods ended June 30, 2005 and 2004. The difference between the Corporation's 32.1% effective tax rate in the 2005 period and the 34% statutory corporate rate is due primarily to the tax exempt earnings on bank owned life insurance. The difference between the 2004 provision and tax benefits refundable at the statutory rate results from the inability to fully deduct contributions 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, 2004.

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 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.

Cheviot Financial Corp.

PART II

ITEM 1. Legal Proceedings

Not applicable

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

The Corporation announced a repurchase plan on March 29, 2005. This program provides for the repurchase of 5%, or 495,937 shares of our common stock. As of June 30, 2005, the Corporation had not repurchased any shares pursuant to the repurchase program.

ITEM 3. Defaults Upon Senior Securities

Not applicable

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

The Corporation held its Annual Meeting of Shareholders on April 26, 2005. Three matters were presented to the shareholders for a vote: The shareholders elected two directors by the following votes:

	For	Against	Abstain
Robert Thomas	9,378,501	274,749	0
John T. Smith	9,311,458	207,706	0

The shareholders ratified the selection of Grant Thornton LLP as the Company's auditors for the 2006 fiscal year by the following vote:

For: 9,530,500 Against: 32,111 Abstain: 23,596

The shareholders also approved of the 2005 Cheviot Financial Stock-Based Incentive Plan by the following vote:

For: 7,563,868 Against: 646,972 Abstain: 1,375,377

ITEM 5. Other Information

None.

ITEM 6. Exhibits

31.1 Certification of Principal Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 Certification of Principal Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Cheviot Financial Corp.

SIGNATURES

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

Date: August 12, 2005 By: /s/ Thomas J. Linneman

Thomas J. Linneman
President and Chief Executive Officer

Date: August 12, 2005 By: /s/ Scott T. Smith

Scott T. Smith
Chief Financial Officer

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, President and Chief Executive Officer of Cheviot Financial Corp., certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

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

   a. Designed such disclosure controls and procedures or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 12, 2005

/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, Chief Financial Officer of Cheviot Financial Corp., certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

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

a. Designed such disclosure controls and procedures or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 12, 2005

/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 June 30, 2005, 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: August 12, 2005

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 June 30, 2005, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, Scott T. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

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

/s/Scott T. Smith

Scott T. Smith
Chief Financial Officer

Date: August 12, 2005