CHEVIOT FINANCIAL CORP
Form 10-Q
May 14, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from ____________ to ______________

Commission File No. 0-50529

CHEVIOT FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

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

3723 Glenmore Avenue, Cincinnati, Ohio 45211

(Address of principal executive office)

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

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

Yes [X] No [ ]

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

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

Small business issuer [X]

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

Yes [ ] No [X]

As of May 14, 2010, the latest practicable date, 8,864,908 shares of the registrant's common stock, $.01 par value, were issued and outstanding.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(In thousands, except share data)

ASSETS	March 3 20 (Unaudite
Cash and due from banks	$ 1,1
Federal funds sold	2,1
Interest-earning deposits in other financial institutions	2,8
Cash and cash equivalents	6,1

Investment securities available for sale - at fair value	73,3
Mortgage-backed securities available for sale - at fair value	4,7
Mortgage-backed securities held to maturity - at cost, approximate market value of $5,565 and $5,816 at March 31, 2010 and December 31, 2009, respectively	5,4
Loans receivable - net	242,5
Loans held for sale - at lower of cost or market	
Real estate acquired through foreclosure - net	1,9
Office premises and equipment - at depreciated cost	4,8
Federal Home Loan Bank stock - at cost	3,3
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	1,8
Bank-owned life insurance	3,6
Prepaid federal income taxes	
Total assets	$ 349,5
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits	$238,9
Advances from the Federal Home Loan Bank	38,2
Advances by borrowers for taxes and insurance	1,0
Accrued interest payable	1
Accounts payable and other liabilities	1,6
Accrued federal income taxes	1
Deferred federal income taxes	3
Total liabilities	280,4
Shareholders' equity	
Preferred stock - authorized 5,000,000 shares, $.01 par value; none issued	
Common stock - authorized 30,000,000 shares, $.01 par value; 9,918,751 shares issued at March 31, 2010 and December 31, 2009	
Additional paid-in capital	43,8
Shares acquired by stock benefit plans	(2,0
Treasury stock - at cost, 1,050,045 shares at March 31, 2010 and December 31, 2009	(12,8
Retained earnings - restricted	40,2
Accumulated comprehensive loss, unrealized losses on securities available for sale, net of related tax benefits	(2
Total shareholders' equity	69,0
Total liabilities and shareholders' equity	$ 349,5

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

For the three months ended March 31, 2010 and 2009
(In thousands, except per share data)

	20
Interest income	

Loans	$3,5
Mortgage-backed securities	
Investment securities	3
Interest-earning deposits and other	
Total interest income	4,0
Interest expense	
Deposits	9
Borrowings	3
Total interest expense	1,2
Net interest income	2,7
Provision for losses on loans	
Net interest income after provision for losses on loans	2,6
Other income	
Rental	
Loss on sale of real estate acquired through foreclosure	
Gain on sale of loans	
Earnings on bank-owned life insurance	
Other operating	
Total other income	1
General, administrative and other expense	
Employee compensation and benefits	1,1
Occupancy and equipment	1
Property, payroll and other taxes	2
Data processing	
Legal and professional	1
Advertising	
FDIC expense	
Other operating	2
Total general, administrative and other expense	2,0
Earnings before federal income taxes	7
Federal income taxes	
Current	3
Deferred	(
Total federal income taxes	2
NET EARNINGS	$ 5
EARNINGS PER SHARE	
Basic	$.
Diluted	$.
Dividends declared per share	$.

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended March 31, 2010 and 2009
(In thousands)

	20
Net earnings for the period	$
Other comprehensive income (loss), net of related tax expense (benefit):	
Unrealized holding gains (losses) on securities during the period, net of tax expense (benefit) of $86 and $(29) for the periods ended March 31, 2010 and 2009, respectively	
	--
Comprehensive income	$
	==
Accumulated comprehensive loss	$(
	==

See accompanying notes to consolidated financial statements.

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Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the three months ended March 31, 2010 and 2009
(In thousands)

	20
Cash flows from operating activities:	
Net earnings for the period	$ 5
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:	
Amortization of premiums and discounts on investment and mortgage-backed securities, net	
Depreciation	
Amortization of deferred loan origination fees - net	
Proceeds from sale of loans in the secondary market	2,7
Loans originated for sale in the secondary market	(2,7
Gain on sale of loans	(
Amortization of expense related to stock benefit plans	(
Provision for losses on loans	
Federal Home Loan Bank stock dividends	
Loss on real estate acquired through foreclosure	
Impairment on real estate acquired through foreclosure	
Net increase in cash surrender value of bank-owned life insurance	(
Increase (decrease) in cash due to changes in:	
Accrued interest receivable on loans	

Accrued interest receivable on mortgage-backed securities	
Accrued interest receivable on investments and interest-earning deposits	(
Prepaid expenses and other assets	(2
Accrued interest payable	
Accounts payable and other liabilities	
Federal income taxes	
Current	2
Deferred	(
Net cash flows provided by operating activities	5
Cash flows used in investing activities:	
Principal repayments on loans	10,1
Loan disbursements	(5,6
Purchase of investment securities - available for sale	(32,1
Proceeds from maturity of investment securities - available for sale	14,9
Proceeds from maturity of investment securities - held to maturity	
Purchase of mortgage-backed securities - available for sale	
Principal repayments on mortgage-backed securities - available for sale	1
Principal repayments on mortgage-backed securities - held to maturity	2
Proceeds from the sale of real estate acquired through foreclosure	
Additions to real estate acquired through foreclosure	
Purchase of office premises and equipment	
Net cash flows provided by (used in) investing activities	(12,4
Cash flows provided by financing activities:	
Net increase in deposits	3,0
Proceeds from Federal Home Loan Bank advances	10,0
Repayments on Federal Home Loan Bank advances	(5,4
Advances by borrowers for taxes and insurance	(4
Stock option expense, net	
Dividends paid on common stock	(3
Net cash flows provided by financing activities	6,7
Net increase (decrease) in cash and cash equivalents	(5,1
Cash and cash equivalents at beginning of period	11,2
Cash and cash equivalents at end of period	$ 6,1

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)(CONTINUED)

For the three months ended March 31, 2010 and 2009
(In thousands)

20

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

Federal income taxes	$
Interest on deposits and borrowings	$ 1,2

Supplemental disclosure of non-cash investing activities:

Transfer from loans to real estate acquired through foreclosure	$
Recognition of mortgage servicing rights	$

See accompanying notes to consolidated financial statements.

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2010 and 2009

1. Basis of Presentation

Cheviot Financial Corp. ("Cheviot Financial" or the "Corporation") is a financial holding company, the principal asset of which consists of its ownership of Cheviot Savings Bank (the "Savings Bank"). The Savings Bank conducts a general banking business in southwestern Ohio which consists of attracting deposits and applying those funds primarily to the origination of real estate loans. The Corporation is 62% owned by Cheviot Mutual Holding Company. Earnings per share is reported including all shares held by Cheviot Mutual Holding Company. Cheviot Mutual Holding Company has to date waived the receipt of dividends declared by the Corporation. Cheviot Savings' profitability is significantly dependent on net interest income, which is the difference between interest income from interest-earning assets and the interest expense paid on interest-bearing liabilities. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances.

The accompanying unaudited financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Cheviot Financial included in the Annual Report on Form 10-K for the year ended December 31, 2009. However, in the opinion of management, all adjustments (consisting of only normal recurring accruals) which are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three month period ended March 31, 2010 are not necessarily indicative of the results which may be expected for the entire year.

2. Principles of Consolidation

The accompanying consolidated financial statements as of and for the three months ended March 31, 2010 include the accounts of the Corporation and its wholly-owned subsidiary, the Savings Bank. All significant intercompany items have been eliminated.

3. Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, scheduled amortization and prepayments of loan principal and mortgage-backed securities, maturities and calls of securities and funds provided by our operations. In addition, we may borrow from the Federal Home Loan Bank of Cincinnati. At March 31, 2010 and December 31, 2009, we had $38.2 million and $33.7 million, respectively, in outstanding borrowings from the Federal Home Loan Bank of Cincinnati and had the capacity to increase such borrowings at those dates by approximately $104.9 million and $109.3 million, respectively.

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

3. Liquidity and Capital Resources (continued)

Our primary investing activities are the origination of one- to four-family real estate loans, commercial real estate, construction and consumer loans, and the purchase of securities. For the three months ended March 31, 2010, loan originations totaled $8.4 million, compared to $21.7 million for the three months ended March 31, 2009.

Total deposits increased $3.0 million and $11.4 million during the three months ended March 31, 2010 and 2009, respectively. 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 contracts as of March 31, 2010.

	Payments due by period		
	Less than 1 year	More than 1-3 years	More than 4-5 years
			(In thousands)
Contractual obligations:			
Advances from the Federal Home Loan Bank	$ 5,000	$ 1,808	$ 3,192

Certificates of deposit	99,390	29,842	11,386
Amount of loan commitments and expiration per period:			
Commitments to originate one- to four-family loans	1,349	-	-
Home equity lines of credit	12,633	-	-
Undisbursed loans in process	3,310	-	-
Total contractual obligations	$121,682	$ 31,650	$ 14,578

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.

3. Liquidity and Capital Resources (continued)

At March 31, 2010 and 2009, we exceeded all of the applicable regulatory capital requirements. Our core (Tier 1) capital was $55.2 million and $56.3 million, or 16.0% and 16.5% of total assets at March 31, 2010 and 2009, respectively. In order to be classified as "well-capitalized" under federal banking regulations, we were required to have core capital of at least $20.7 million, or 6.0% of assets as of March 31, 2010. To be classified as a well-capitalized bank, we must also have a ratio of total risk-based capital to risk-weighted assets of at least 10.0%. At March 31, 2010 and 2009, we had a total risk-based capital ratio of 33.2% and 33.0%, 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 142,833 and 178,540 unallocated shares held by the ESOP for the three months ended March 31, 2010 and 2009, respectively.

	For the three months ended March 31, 2010	2009
Weighted-average common shares outstanding (basic)	8,725,873	8,693,964
Dilutive effect of assumed exercise of stock options	7,919	46,216
Weighted-average common shares outstanding (diluted)	8,733,792	8,740,180

=========   =========

5. Stock Option Plan

On April 26, 2005, the Corporation approved a Stock Incentive Plan that provides for grants of up to 486,018 stock options. During 2009, 2008 and 2007 approximately 8,060, 8,060 and 6,460 options shares were granted subject to a five year vesting period.

The Corporation follows FASB Accounting Standard Codification Topic 718 (ASC 718), "Compensation - Stock Compensation," for its stock option plans, and accordingly, the Corporation recognizes the expense of these grants as required. Stock-based employee compensation costs pertaining to stock options is reflected as a net increase in equity, for both any new grants, as well as for all unvested options outstanding at December 31, 2005, in both cases using the fair values established by usage of the Black-Scholes option pricing model, expensed over the vesting period of the underlying option.

The Corporation elected the modified prospective transition method in applying ASC 718. Under this method, the provisions of ASC 718 apply to all awards granted or modified after the date of adoption, as well as for all unvested options outstanding at December 31, 2005. The compensation cost recorded for unvested equity-based awards is based on their grant-date fair value. For the three months ended March 31, 2010, the Corporation recorded $62,000 in after-tax compensation cost for equity-based awards that vested during the three months ended March 31, 2010. The Corporation has $64,000 unrecognized pre-tax compensation cost related to non-vested equity-based awards granted under its stock incentive plan as of March 31, 2010, which is expected to be recognized over a weighted-average vesting period of approximately 0.3 years.

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2010 and 2009

5. Stock Option Plan (continued)

A summary of the status of the Corporation's stock option plan as of March 31, 2010, and changes during the period then ended is presented below:

average average
exercise exercise

	Three months ended March 31, 2010 Shares	Weighted- price
Outstanding at beginning of period	412,340	$11.11
Granted	-	-
Exercised	-	-
Forfeited	-	-

Outstanding at end of period	412,340	$11.11
Options exercisable at period-end	314,792	$11.17
Options expected to be exercisable at year-end		
Fair value of options granted		NA

The following information applies to options outstanding at March 31, 2010:

Number outstanding
Exercise price$8.48 - $13.63
Weighted-average exercise price
Weighted-average remaining contractual life

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 the grant date. Volatility is based upon the historical volatility of the Corporation's stock.

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2010 and 2009

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 2009: dividend yield of 4.48%, expected volatility of 56.38%, risk-free interest rate of 3.25% and an expected life of 10 years for each grant.

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

6. Investment and Mortgage-backed Securities

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of investment securities at March 31, 2010 and December 31, 2009 are shown below.

	March 31, 2010		
	Amortized cost	Gross unrealized gains	Gross unrealized losses
	(In thousands)		
Available for Sale:			

U.S. Government agency securities	$72,203	$123	$365
Municipal obligations	1,545	5	143
	$73,748	$128	$508

	December 31, 2009		
	Amortized cost	Gross unrealized gains	Gross unrealized losses
		(In thousands)	
Available for Sale:			
U.S. Government agency securities	$54,915	$67	$ 527
Municipal obligations	1,545	4	153
	$56,460	$71	$ 680

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2010 and 2009

6. Investment and Mortgage-backed Securities (continued)

The amortized costs of investment securities at March 31, 2010, by contractual term to maturity, are shown below.

	March 31, 2010
	(In thousands)
Less than one year	$ 34,209
One to five years	35,994
Five to ten years	310
More than ten years	3,235
	$ 73,748

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of mortgage-backed securities at March 31, 2010 and December 31, 2009 are shown below.

	March 31, 2010		
	Amortized cost	Gross unrealized gains	Gross unrealized losses
	(In thousands)		
Available for sale:			
Federal Home Loan Mortgage Corporation adjustable-rate participation certificates	$ 785	$ 10	$ -
Federal National Mortgage Association adjustable-rate participation certificates	693	11	-
Government National Mortgage Association adjustable-rate participation certificates	3,255	35	-
	$4,733	$ 56	$ -
Held to maturity:			
Federal Home Loan Mortgage Corporation adjustable-rate participation certificates	$ 574	$ 2	$ 19
Federal National Mortgage Association adjustable-rate participation certificates	611	5	1
Government National Mortgage Association adjustable-rate participation certificates	4,298	95	-
	$5,483	$ 102	$ 20

6. Investment and Mortgage-backed Securities (continued)

	December 31, 2009		
	Amortized cost	Gross unrealized gains	Gross unrealized losses
	(In thousands)		
Available for sale:			
Federal Home Loan Mortgage Corporation adjustable-rate participation certificates	$ 829	$ 1	$ -

Federal National Mortgage Association adjustable-rate participation certificates	700	9	-
Government National Mortgage Association adjustable-rate participation certificates	3,358	24	1
	$4,887	$34	$ 1
Held to maturity:			
Federal Home Loan Mortgage Corporation adjustable-rate participation certificates	$ 603	$ 1	$ 7
Federal National Mortgage Association adjustable-rate participation certificates	640	3	1
Government National Mortgage Association adjustable-rate participation certificates	4,501	76	-
	$5,744	$80	$8

The amortized cost of mortgage-backed securities, including those designated as available for sale, at March 31, 2010, by contractual terms to maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may generally prepay obligations without prepayment penalties.

	March 31, 2010 (In thousands)
Due in one year or less	$ 597
Due in one year through five years	2,642
Due in five years through ten years	3,952
Due in more than ten years	3,025
	$10,216

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2010 and 2009

6. Investment and Mortgage-backed Securities (continued)

The table below indicates the length of time individual securities have been in a continuous unrealized loss position at March 31, 2010:

	Less than 12 months			12 months or longer			
Description of securities	Number of investments	Fair value	Unrealized losses	Number of investments	Fair value	Unrealized losses	Number of investments

(Dollars in thousands)

U.S. Government agency securities	17	$38,993	$365	-	$ -	$ -	17
Municipal obligations	-	-	-	2	1,235	143	2
Mortgage-backed securities	4	88	1	5	197	19	9
Total temporarily impaired securities	21	$39,081	$366	7	$1,432	$162	28

Management does not intend to sell any of the debt securities with an unrealized loss and do not believe that it is more likely than not that we will be required to sell a security in an unrealized loss position prior to a recovery in value. The decline in the fair value is primarily due to an increase in market interest rates. The fair values are expected to recover as securities approach maturity dates. The Company has evaluated these securities and has determined that the decline in their values is temporary.

7. Income Taxes

The Corporation uses an asset and liability approach to accounting for income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized if it is more likely than not that a future benefit will be realized. The Corporation accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, Income Taxes, which prescribes the recognition and measurement criteria related to tax positions taken or expected to be taken in a tax return.

The Corporation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At adoption date, the Corporation applied the standard to all tax positions for which the statute of limitations remained open. The Corporation was not required to record any liability for unrecognized tax benefits as of January 1, 2007. There have been no material changes in unrecognized tax benefits since January 1, 2007. As stated in the Annual Report, the only known tax attribute which can influence the Corporation's effective tax rate is the utilization of charitable contribution carryforwards.

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Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2010 and 2009

7. Income Taxes (continued)

The Corporation is subject to income taxes in the U.S. federal jurisdiction, as well as various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Corporation is no longer subject to U.S. federal, state and local, or non U.S. income tax examinations by tax authorities for the years before 2007.

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

8. Disclosures About Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value methods and assumptions are set forth below for each type of financial instrument.

Securities available for sale: Fair value on available for sale securities were based upon a market approach. Securities which are fixed income instruments that are not quoted on an exchange, but are traded in active markets, are valued using prices obtained from our custodian, which used third party data service providers. Available for sale securities includes U.S. agency securities, municipal bonds and mortgage-backed agency securities.

8. Disclosures About Fair Value of Assets and Liabilities (continued)

Fair Value Measurements at March 31, 2010 and December 31, 2009

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	S un
Securities available for sale at March 31, 2010:			
U.S. Government agency securities		$71,961	
Municipal obligations		$ 1,407	
Mortgage-backed securities		$ 4,789	
Securities available for sale at December 31, 2009:			
U.S. Government agency securities		$54,455	
Municipal obligations		$ 1,396	
Mortgage-backed securities		$ 4,920	

The Corporation is predominately an asset-based lender with real estate serving as collateral on a substantial majority of loans. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Corporation considers to be Level 2 inputs. The aggregate carrying amount of impaired loans at March 31, 2010 was approximately $1.7 million, compared to approximately $2.4 million at December 31, 2009.

The Corporation has real estate acquired through foreclosure totaling $2.0 million at both March 31, 2010 and December 31, 2009. Real estate acquired through foreclosure is carried at the lower of the cost or fair value less estimated selling expenses at the date of acquisition. Fair values are obtained using independent appraisals, based on comparable sales which the Corporation considers to be Level 2 inputs. The aggregate amount of real estate acquired through foreclosure that is carried at fair value was approximately $1.9 million at March 31, 2010 and $732,000 at December 31, 2009. The aggregate amount of real estate acquired through foreclosure that is carried at cost was $1.3 million at December 31, 2009.

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Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2010 and 2009

9. Effects of Recent Accounting Pronouncements

In April 2010, the FASB issued Codification Accounting Standards Update No.

2010-18 (ASU No. 2010-18) Effect of Loan Modification when the Loan is Part of a Pool that is accounted for as a Single Asset (a consensus of the FASB Emerging Issues Task Force). The amendments in this update affect any entity that acquires loans subject to ASC Subtopic 310-30, that accounts for some or all of those loans within pools, and that subsequently modifies one or more of those loans after acquisition. ASU No. 2010-18 is effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the interim period ending September 30, 2010, and the amendments are to be applied prospectively. Management is currently evaluating the impact, if any, that the adoption of this amendment will have on its consolidated financial statements.

In June 2009, the FASB amended previous guidance relating to transfers of financial assets and eliminates the concept of a qualifying special purpose entity. This guidance must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. This guidance must be applied to transfers occurring on or after the effective date. Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. The disclosure provisions were also amended and apply to transfers that occurred both before and after the effective date of this guidance. Adoption of this guidance on January 1, 2010 did not have a material effect on the Company's results of operations or financial position.

In June 2009, the FASB amended guidance for consolidation of variable interest entity guidance by replacing the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. Additional disclosures about an enterprise's involvement in variable interest entities are also required. This guidance is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Early adoption is prohibited. Adoption of this guidance on January 1, 2010 did not have a material effect on the Company's results of operations or financial position.

In January 2010, the FASB issued ASU No. 2010-01 "Accounting for Distributions to Shareholders with Components of Stock and Cash," which updated the Codification on accounting for distributions to shareholders that offers them the ability to elect to receive their entire distribution in cash or stock with a potential limitation on the total amount of cash that all shareholders can receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend. The new guidance is effective for interim and annual periods after December 15, 2009, and would be applied on a retrospective basis. The adoption of this guidance did not have any effect on our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06 "Improving Disclosures About Fair Value Measurements," which amends the guidance for fair value measurements and disclosures. The guidance in ASU 2010-06 requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. Furthermore, ASU 2010-06 requires a reporting entity to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs; clarifies existing fair value disclosures about the level of disaggregation

9. Effects of Recent Accounting Pronouncements (continued)

and about inputs and valuation techniques used to measure fair value; and amends guidance on employers' disclosures about postretirement benefit plan assets to require that disclosures be provided by classes of assets instead of by major categories of assets. The new guidance is effective for interim and annual reporting periods beginning January 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective January 1, 2011 and for interim periods thereafter. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. Early adoption is permitted. The adoption of this guidance is not expected to significantly impact our annual and interim financial statement disclosures and will not have any impact on our consolidated financial statements.

In February 2010, the FASB issued ASU No. 2010-09, Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements. The amendments in the ASU remove the requirement for companies that are subject to the periodic reporting requirements of the Exchange Act to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. generally accepted accounting principals ("U.S. GAAP"). The FASB also clarified that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. The FASB believes these amendments remove potential conflicts with the SEC's literature. All of the amendments in the ASU were effective upon issuance, except for the use of the issued date for conduit debt obligors, which will be effective for interim or annual periods ending after June 15, 2010. The adoption of this guidance is not expected to have a material effect on the consolidated financial statements.

In March 2010, the FASB issued ASU No. 2010-11, "Derivatives and Hedging (Topic 815)," which clarifies that the only type of embedded credit derivative feature related to the transfer of credit risk that is exempt from derivative bifurcation requirements is one that is in the form of subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination will need to assess those embedded credit derivatives to determine if bifurcation and separate accounting as a derivative is required. This guidance is effective on July 1, 2010. Early adoption is permitted at the beginning of an entity's first interim reporting period beginning after issuance of this guidance. The adoption of this guidance is not expected to have any impact on our consolidated financial statements.

10. Fair Value of Financial Instruments

Fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate the value, is based upon the characteristics of the instruments and relevant market information. Financial instruments include cash, evidence of ownership in an entity or contracts that convey or impose on an entity the contractual right or obligation to either receive or deliver cash for another financial instrument. These fair value estimates are based on relevant market information and information about the financial instruments. Fair value estimates are intended to represent the price for which an asset could be sold or liability could be settled. However, given there is no active market or observable market transactions for many of the Corporation's financial instruments, it has made estimates of many of these fair values which are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated values.

10. Fair Value of Financial Instruments (continued)

The following methods and assumptions were used by the Corporation in estimating its fair value disclosures for financial instruments at March 31, 2010:

Cash and cash equivalents: The carrying amounts presented in the consolidated statements of financial condition for cash and cash equivalents are deemed to approximate fair value.

Investment and mortgage-backed securities: For investment and mortgage-backed securities, fair value is deemed to equal the quoted market price.

Loans receivable: The loan portfolio was segregated into categories with similar characteristics, such as one-to four-family residential, multi-family residential and commercial real estate. These loan categories were further delineated into fixed-rate and adjustable-rate loans. The fair values for the resultant loan categories were computed via discounted cash flow analysis, using current interest rates offered for loans with similar terms to borrowers of similar credit quality. For loans on deposit accounts, fair values were deemed to equal the historic carrying values. The historical carrying amount of accrued interest on loans is deemed to approximate fair value.

Federal Home Loan Bank stock: The carrying amount presented in the consolidated statements of financial condition is deemed to approximate fair value.

Deposits: The fair value of NOW accounts, passbook accounts, and money market demand deposits is deemed to approximate the amount payable on demand at March 31, 2010. Fair values for fixed-rate certificates of deposit have been estimated using a discounted cash flow calculation using the interest rates currently offered for deposits of similar remaining maturities.

Advances from the Federal Home Loan Bank: The fair value of these advances is estimated using the rates currently offered for similar advances of similar remaining maturities or, when available, quoted market prices.

Advances by Borrowers for Taxes and Insurance: The carrying amount of advances by borrowers for taxes and insurance is deemed to approximate fair value.

Commitments to extend credit: For fixed-rate loan commitments, the fair value estimate considers the difference between current levels of interest rates and committed rates. At March 31, 2010, the fair value of the derivative loan commitments was not material.

Cheviot Financial Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the three months ended March 31, 2010 and 2009

10. Fair Value of Financial Instruments (continued)

The estimated fair values of the Company's financial instruments at March 31, 2010 and December 31, 2009 are as follows:

	March 31, 2010 Carrying Value (In thousands)	March 31, 2010 Fair Value (In thousands)	Dece Carry Valu (
Financial assets			
Cash and cash equivalents	$ 6,144	$ 6,144	$ 11,2
Investment securities	73,368	73,368	55,8
Mortgage-backed securities	10,272	10,354	10,6
Loans receivable - net	242,527	254,836	247,0
Federal Home Loan Bank stock	3,375	3,375	3,3
	$ 335,686	$348,077	$328,1
Financial liabilities			
Deposits	$ 238,950	$ 238,819	$235,9
Advances from the Federal Home Loan Bank	38,221	41,842	33,6
Advances by borrowers for taxes and insurance	1,008	1,008	1,5
	$ 278,179	$ 281,669	$271,0

11. Subsequent Events

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements.

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.

Recent Developments

Congress is considering legislation that would significantly change the current bank regulatory system. The proposal would create a new federal banking regulator, the National Bank Supervisor, and merge our current primary federal regulator, the Office of Thrift Supervision, as well as the Office of the Comptroller of the Currency (the primary federal regulator for national banks) into the new federal bank regulator. The proposal would also eliminate federal savings banks and require all federal savings banks to elect, within six months of the effective date of the legislation, to convert to either, a national bank, state bank or state savings association. A federal savings bank that does not make the election would, by operation of law, be converted to a national bank within one year of the effective date of the legislation. Cheviot Savings Bank is an Ohio-chartered savings and loan association, and would continue to have its Ohio charter.

Cheviot Financial Corp. would become a bank holding company subject to regulation and supervision by the Board of Governors of the Federal Reserve System instead of the Office of Thrift Supervision. As a bank holding company, Cheviot Financial Corp. may become subject to regulatory capital requirements it is not currently subject to as a savings and loan holding company and certain additional restrictions on its activities. In addition, compliance with new regulations and being supervised by one or more new regulatory agencies could increase our expenses.

Critical Accounting Policies

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. We consider the accounting method used for the allowance for loan losses to be a critical accounting policy.

The allowance for loan losses is the estimated amount considered necessary to cover inherent, but unconfirmed credit losses in the loan portfolio at the balance sheet date. The allowance is established through the provision for losses on loans which is charged against income. In determining the allowance for loan losses, management makes significant estimates and has identified this policy as one of the most critical for Cheviot Financial.

Cheviot Financial Corp.

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

Critical Accounting Policies (continued)

Management performs a quarterly evaluation of the allowance for loan losses. Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the adequacy of the underlining collateral, the financial strength of the borrower, results of internal loan review and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change.

The analysis has two components, specific and general allocations. Specific percentage allocations can be made for unconfirmed losses related to loans that are determined to be impaired. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. If the fair value of the loan is less than the loan's carrying value, a charge-off is recorded for the difference. The general allocation is determined by segregating the remaining loans by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic conditions and geographic and industry concentrations. This analysis establishes factors that are applied to the loan groups to determine the amount of the general reserve. Actual loan losses may be significantly more than the allowances we have established which could result in a material negative effect on our financial results.

Discussion of Financial Condition Changes at December 31, 2009 and at March 31, 2010

Total assets increased $7.7 million, or 2.3%, to $349.6 million at March 31, 2010, from $341.9 million at December 31, 2009. The increase in total assets reflects increases in investment securities, which was partially offset by a decrease in loans receivable and cash and cash equivalents. The change in the composition of our interest earning assets reflects management's decision to increase its liquidity during a period of low interest rates during the economic downturn.

Cash, federal funds sold and interest-earning deposits decreased $5.1 million, or 45.5%, to $6.1 million at March 31, 2010, from $11.3 million at December 31, 2009. The decrease in cash and cash equivalents at March 31, 2010, was due to a $2.5 million decrease in federal funds sold, a decrease in cash and due from banks of $2.1 million and a $602,000 decrease in interest-earning deposits.

Investment securities increased $17.5 million, or 31.4%, to $73.4 million at March 31, 2010. At March 31, 2010, all investment securities were classified as available for sale. During the first quarter of 2010, the Corporation borrowed $10.0 million from the FHLB to purchase investment securities to take advantage of the interest rate spread to increase net interest income.

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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 at December 31, 2009 and at March 31, 2010 (continued)

Mortgage-backed securities decreased $392,000, or 3.7%, to $10.3 million at March 31, 2010, from $10.7 million at December 31, 2009. The decrease in mortgage-backed securities was due primarily to principal prepayments and repayments totaling $412,000. At March 31, 2010, $5.5 million of mortgage-backed securities were classified as held to maturity, while $4.8 million were classified as available for sale. As of March 31, 2010, none of the mortgage-backed securities are considered other than temporarily impaired.

Loans receivable, including loans held for sale, decreased $4.5 million, or 1.8%, to $242.5 million at March 31, 2010, from $247.0 million at December 31, 2009. The decrease reflects loan sales totaling $2.8 million and loan principal repayments of $10.1 million, which was partially offset by loan originations of $8.4 million. The change in the composition of the Corporation's assets reflects management's decision to take advantage of opportunities to obtain a higher rate of return by selling certain mortgage loans and recording gains.

The allowance for loan losses totaled $1.0 million at both March 31, 2010 and December 31, 2009, 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. The $40,000 provision for losses on loans during the quarter ended March 31, 2010 is a reflection of these factors, weaker economic conditions in the greater Cincinnati area, and the need to allocate approximately $35,000 in specific reserves for two residential properties totaling $84,000 classified as real estate acquired through foreclosure. The analysis of the allowance for loan losses requires an element of judgment and is subject to the possibility that the allowance may need to be increased, with a corresponding reduction in earnings. To the best of management's knowledge, all known and inherent losses that are probable and that can be reasonably estimated have been recorded at March 31, 2010.

Non-performing and impaired loans totaled $1.7 million and $2.4 million at March 31, 2010 and December 31, 2009, respectively. At March 31, 2010, non-performing and impaired loans were comprised solely of loans secured by one- to four-family residential real estate. At both March 31, 2010, and December 31, 2009 real estate acquired through foreclosure was $2.0 million. The allowance for loan losses represented 61.4% and 41.9% of non-performing and impaired loans at March 31, 2010 and December 31, 2009, 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 $3.0 million or 1.3%, to $238.9 million at March 31, 2010, from $235.9 million at December 31, 2009. Advances from the Federal Home Loan Bank of Cincinnati increased by $4.5 million, or 13.5%, to $38.2 million at March 31, 2010, from $33.7 million at December 31, 2009.

Discussion of Financial Condition Changes at December 31, 2009 and at March 31, 2010 (continued)

Shareholders' equity increased $347,000, or 0.5%, from December 31, 2009. The increase primarily resulted from net earnings of $503,000 and a decrease in unrealized losses on securities of $167,000, which was partially offset by dividends paid of $374,000. Dividends declared by the Corporation were waived by the Corporation's mutual holding company parent. At March 31, 2010, Cheviot Financial had the ability to purchase an additional 364,616 shares under its announced stock repurchase plan.

Liquidity and Capital Resources

We monitor our liquidity position on a daily basis using reports that recap all deposit activity and loan commitments. A significant portion of our deposit base is made up of time deposits. At March 31, 2010, $99.4 million of time deposits are due to mature within twelve months. The daily deposit activity report allows us to price our time deposits competitively. Because of this and our deposit retention experience, we anticipate that a significant portion of maturing time deposits will be retained. At March 31, 2010, we had loan commitments of $1.3 million. Our loan commitments are funded or expire within 45 days from the date of the commitment.

Borrowings from the Federal Home Loan Bank of Cincinnati increased $4.5 million during the three months ended March 31, 2010. We have the ability to increase such borrowings by approximately $104.9 million. At March 31, 2010, we had no borrowings other than Federal Home Loan Bank of Cincinnati borrowings. The additional borrowings can be used to offset any decrease in customer deposits or to fund loan commitments.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2010 and 2009

General

Net earnings for the three months ended March 31, 2010 totaled $503,000, a $210,000 increase from the $293,000 in net earnings reported for the March 2009 period. The increase in net earnings reflects an increase in net interest income of $239,000 and a decrease in the provision for losses on loans of $297,000, which was partially offset by a decrease in other income of $49,000, an increase in general, administrative and other expense of $118,000 and an increase in federal income taxes of $159,000 for the 2010 quarter.

Net Interest Income

Total interest income decreased $325,000, or 7.5%, to $4.0 million for the three-months ended March 31, 2010, from the comparable quarter in 2009. Interest income on loans decreased $340,000, or 8.8%, to $3.5 million during the 2010 period from $3.8 million for the 2009 period. This decrease was due primarily to a $17.0 million, or 6.5%, decrease in the average balance of loans outstanding and a 15 basis point decrease in the weighted-average yield on loans to 5.72% at March 31, 2010.

Interest income on mortgage-backed securities decreased $19,000, or 18.1%, to $86,000 for the three months ended March 31, 2010, from $105,000 for the 2009 quarter, due primarily to a 89 basis point decrease in the average yield, which was partially offset by a $373,000 increase in the average balance of securities outstanding period to period. Interest income on investment securities increased $4,000, or 1.1%, to $373,000 for the three months ended March 31, 2010, compared to $369,000 for the same quarter in 2009, due primarily to an increase of $36.9 million, or 140.8%, in the average balance of investment securities outstanding, which was partially offset by a 327 basis point decrease in the average yield to 2.36% in the 2010 quarter. Interest income on other interest-earning deposits increased $30,000, or 300.0%, to $40,000 for the three months ended March 31, 2010, as compared to the same period in 2009.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2010 and 2009 (continued)

Net Interest Income (continued)

Interest expense decreased $564,000, or 30.6%, to $1.3 million for the three months ended March 31, 2010, from $1.8 million for the same period in 2009. Interest expense on deposits decreased by $459,000, or 33.4%, to $915,000 from $1.4 million due primarily to a 94 basis point decrease in the weighted average costs of deposits to 1.59% during the 2010 period, which was partially offset by a $12.0 million, or 5.5%, increase in the weighted-average balance outstanding. Interest expense on borrowings decreased by $105,000, or 22.3%, due primarily to a $6.8 million, or 15.6%, decrease in the average balance outstanding and a 34 basis point decrease in the average cost of borrowings.

As a result of the foregoing changes in interest income and interest expense, net interest income increased by $239,000, or 9.6%, to $2.7 million for the three months ended March 31, 2010. The average interest rate spread increased 40 basis points to 3.03% for the three months ended March 31, 2010 from 2.63% for the three months ended March 31, 2009. The net interest margin increased to 3.37% for the three months ended March 31, 2010 from 3.13% for the three months ended March 31, 2009.

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 collectability of the Savings Bank's loan portfolio, management recorded a $40,000 provision for losses on loans for the three months ended March 31, 2010, compared to $337,000 for the same period in 2009. The decision to make a provision for loan losses during the quarter ended March 31, 2010, reflects the amount necessary to maintain an adequate allowance based on our historical loss experience and other external factors. These other external factors, economic conditions, and collateral value changes, have had a negative impact on non-owner-occupied loans in the portfolio. There can be no assurance that the loan loss allowance will be sufficient to cover losses on non-performing loans in the future; however, management believes they have identified all known and inherent losses that are probable and that can be reasonably estimated within the loan portfolio, and that the allowance is adequate to absorb such losses.

Other Income

Other income decreased $49,000, or 21.2%, to $182,000 for the three months ended March 31, 2010, compared to the same quarter in 2009, due primarily to a decrease in the gain on sale of loans of $95,000, which was partially offset by an increase of $22,000 in other operating income and a decrease of $20,000 in the loss on sale of real estate acquired through foreclosure.

General, Administrative and Other Expense

General, administrative and other expense increased $118,000, or 6.0%, to $2.1 million for the three months ended March 31, 2010, from $2.0 million for the comparable quarter in 2009. The increase is a result of an increase of $42,000 in employee compensation and benefits and a $62,000 increase in FDIC expense. The increase in employee compensation and benefits is a result of the increase in compensation expense for additional employees. The increase in FDIC expense is a result of the increased rates imposed by the FDIC.

Comparison of Operating Results for the Three-Month Periods Ended March 31, 2010 and 2009 (continued)

FDIC Premiums

The Federal Deposit Insurance Corporation ("FDIC") imposes an assessment against institutions for deposit insurance. This assessment is based on the risk category of the institution and currently ranges from 5 to 43 basis points of the institution's deposits. Federal law requires that the designated reserve ratio for the deposit insurance fund be established by the FDIC at 1.15% to 1.50% of estimated insured deposits. If this reserve ratio drops below 1.15% or the FDIC expects that it to do so within six months, the FDIC must, within 90 days, establish and implement a plan to restore the designated reserve ratio to 1.15% of estimated insured deposits within five years (absent extraordinary circumstances). On December 22, 2009, the FDIC issued final rules increasing the current assessment rates for all institutions by 7 basis points and up to 50 basis points for certain financial institutions for the first quarter of 2010. It is expected that the FDIC will adopt a new risk based assessment system.

In addition, the Emergency Economic Stabilization Act of 2009 (EESA) temporarily increased the limit on FDIC insurance coverage for deposits to $250,000 through December 31, 2010, and the FDIC took action to provide coverage for newly-issued senior unsecured debt and non-interest bearing transaction accounts in excess of the $250,000 limit, for which institutions will be assessed additional premiums. These actions increased our FDIC insurance premiums in the first quarter of 2010 to $54,000 from $9,000 for the same period in 2009. Federal Income Taxes

The provision for federal income taxes increased $159,000, or 147.2%, to $267,000 for the three months ended March 31, 2010, from $108,000 for the same quarter in 2009, due primarily to a $369,000, or 92.0%, increase in pre-tax earnings. The effective tax rate was 34.7% and 26.9% for the three month periods ended March 31, 2010 and 2009. The difference between the Corporation's effective tax rate in the 2010 and 2009 periods and the 34% statutory corporate rate is due primarily to the tax-exempt earnings on bank-owned life insurance, tax exempt interest on municipal obligations offset by the difference in the stock compensation deduction for tax purposes.

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, 2009.

ITEM 4T CONTROLS AND PROCEDURES

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

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

PART II

ITEM 1. Legal Proceedings

None.

ITEM 1A. Risk Factors

There have been no changes to the Corporation's risk factors since the filing of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009.

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

The Corporation announced a repurchase plan on January 16, 2008 which provides for the repurchase of 5% or 447,584 shares of our common stock. As of March 31, 2010, the Corporation had purchased 82,968 shares at an average price of $9.09 pursuant to the program. There were no repurchases during the three months ended March 31, 2010.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Removed and reserved

ITEM 5. Other Information

None.

ITEM 6. Exhibits

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

Cheviot Financial Corp.

SIGNATURES

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

Date: May 14, 2010 By: /s/ Thomas J. Linneman

Thomas J. Linneman
President and Chief Executive Officer

Date: May 14, 2010 By: /s/ Scott T. Smith

Scott T. Smith
Chief Financial Officer

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Exhibit 31.1

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

I, Thomas J. Linneman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheviot Financial Corp.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under

our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 14, 2010

/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)) and internal control over

financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: May 14, 2010

/s/Scott T. Smith

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

Exhibit 32.1

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

In connection with the Quarterly Report of Cheviot Financial Corp. (the "Company"), on Form 10-Q for the period ended March 31, 2010, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, Thomas J. Linneman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

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

/s/Thomas J. Linneman

Thomas J. Linneman
President and Chief Executive Officer

Date: May 14, 2010

Exhibit 32.2

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

In connection with the Quarterly Report of Cheviot Financial Corp. (the "Company"), on Form 10-Q for the period ended March 31, 2010, as filed with the Securities and Exchange Commission on the date of this Certification (the "Report"), I, Scott T. Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

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

/s/Scott T. Smith

Scott T. Smith
Chief Financial Officer

Date: May 14, 2010