



News Release

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CHARTER FINANCIAL REPORTS THIRD QUARTER EARNINGS

- *Two Branches Opened in Auburn-Opelika Area*
- *Retail Deposit Balances Grow \$42.2 Million to \$322.1 Million*
- *Net Interest Income Squeezed by Rising Interest Rates*

WEST POINT, Georgia, July 25, 2006—Charter Financial Corporation (NASDAQ: CHFN) today reported third quarter fiscal 2006 net income of \$2.6 million, or \$0.13 per share, compared with net income of \$3.2 million, or \$0.16 per share, in same quarter of the prior year. The June 2005 quarter included \$1.9 million in gain on sale of Freddie Mac stock while there were no gains in the June 2006 quarter. Net income for the nine months ending June 30, 2006 was \$10.4 million or \$0.54 per share compared with \$8.6 million or \$0.44 per share for the comparable period in the prior year.

Net income for the third quarter was approximately the same as the second quarter of 2006. Lower net interest income and higher operating expenses were offset by higher deposit fees and lower income taxes. Net interest income was affected as short-term interest rates, which are the basis for what the Company pays on deposits, rose significantly. Rates on deposits have, until recently, lagged behind overall market rates. As a result of increased rates, the cost of deposits was higher and net interest income declined from the prior quarter.

“We continue to progress in building our retail franchise with the opening of two branches in the Auburn-Opelika, Alabama market,” said Robert L. Johnson, president and chief executive officer. “We replaced our downtown Opelika branch with a larger, more efficient facility that offers customers an improved banking experience. We also opened a new facility on College Street in Auburn. Together, these upgraded facilities significantly improve our ability to serve this market.”

“We increased our retail deposits by \$43.2 million during the quarter. Deposit fees also increased by approximately 11 percent to \$981,000 for the quarter from \$883,000 for the prior quarter and \$679,000 in the comparable quarter a year ago, reflecting the continued success of our program to market our suite of checking products,” Johnson added.

Noninterest expense rose to \$5.3 million in the third quarter from \$4.9 million in the prior quarter and \$4.5 million in the comparable quarter a year ago. The increase was due to

a number of factors, including increased staffing and the cost of additional employees in the newly opened, larger branch offices. Also, the Company made changes to its incentive compensation plan that resulted in faster accrual of the costs associated with that plan. The Company's continuing strong performance also required that accruals for employee bonuses at a faster rate based on the possibility that the Company may achieve better results in fiscal 2006 than previously assumed.

During the nine months ended June 30, 2006, the Company recognized \$4.8 million in income from sales of Freddie Mac common stock compared with \$4.5 million in the prior year period. The sales resulted from exercises of covered calls written by the Company. These sales allow the Company to realize the value of this asset at a measured pace. However, further sales this year are less likely with the decline in the price of Freddie Mac stock.

Income tax expense was \$395,000 for the quarter compared with \$936,000 for the prior quarter and \$1.2 million in the comparable quarter a year ago. This resulted in an effective tax rate of 13.41% for the quarter ended June 30, 2006 versus 26.84% for the prior quarter. The lower taxes are the result of revised projections, which indicate our overall effective rate for the fiscal year will be lower than previously projected.

Charter Financial Corporation is a savings and loan holding Company and the parent Company of CharterBank, a full-service community bank and a federal savings institution. Charter Financial Corporation and its subsidiary, CharterBank, are in a mutual holding Company structure. Charter Financial owns 4.4 million shares of Freddie Mac common stock with a market value of \$253.0 million. CharterBank is headquartered in West Point, Georgia, and operates nine full-service branches on the I-85 corridor from LaGrange, Georgia to Auburn, Alabama. CharterBank's deposits are insured by the Federal Deposit Insurance Corporation.

Forward-Looking Statements

This release may contain "forward-looking statements" that may be identified by use of such words as "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential." Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition and results of operation and business that are subject to various factors that could cause actual results to differ materially from these estimates. These factors include but are not limited to general and local economic conditions; changes in interest rates, deposit flows, demand for mortgages and other loans, real estate values, and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products, and services. Any or all forward-looking statements in this release and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or known or unknown risks and uncertainties. Consequently, no forward-looking statements can be guaranteed. The Company disclaims any obligation to subsequently revise or update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Selected Financial Data (in thousands except share and per share data):

	June 30, 2006	March 31, 2006	September 30, 2005	June 30, 2005
	Unaudited			
Total Assets	\$1,105,187	\$1,100,952	\$1,050,570	\$1,081,518
Loans Receivable, Net	384,974	383,480	356,808	338,201
Mortgage Securities Available for Sale	320,102	331,094	358,461	379,886
Freddie Mac Common Stock	252,982	270,688	254,776	295,981
Other Investment Securities	37,710	37,589	17,712	9,951
Retail Deposits	322,093	278,862	250,391	237,799
Core Deposits	175,643	143,386	131,361	126,647
Total Deposits	396,406	365,501	320,129	291,773
Deferred Income Taxes	90,026	98,553	93,271	109,641
Borrowings	361,660	366,935	382,336	395,817
Realized Stockholders' Equity*	99,411	97,781	93,825	91,530
Accumulated Other Comprehensive Income**	144,244	157,807	149,405	177,238
Total Equity	243,655	255,588	243,230	268,768
Book Value per Share	\$12.41	\$13.02	\$12.31	\$13.71
Tangible Book Value per Share	12.12	12.73	12.02	13.41
Minority Shares Outstanding	3,562,254	3,560,654	3,542,754	3,517,056
Total Shares Outstanding – at Quarter End	19,632,372	19,630,772	19,629,372	19,603,674
Weighted Average Total Shares Outstanding - Basic	19,418,930	19,401,055	19,523,748	19,374,980
Weighted Average Total Shares Outstanding – Fully Diluted	19,552,867	19,526,064	19,569,097	19,550,470

*Includes Total Stockholders' Equity less Accumulated Other Comprehensive Income.

**Includes unrealized gains and losses on Freddie Mac common stock and other investment securities adjusted for income taxes at a tax rate of 38.6%

Selected Operating Data (in thousands except share and per share data):

	Three months ended			Nine months ended	
	June 30,		March 31,	June 30,	
	2006	2005	2006	2006	2005
	Unaudited				
Total Interest Income	\$13,739	\$ 11,422	\$13,273	\$39,799	\$ 33,159
Total Interest Expense	<u>7,282</u>	<u>5,610</u>	<u>6,606</u>	<u>20,196</u>	<u>15,950</u>
Net Interest Income	6,457	5,812	6,667	19,603	17,209
Provision for Loan Losses	—	—	—	—	—
Net Interest Income after Provision for Loan Losses	6,457	5,812	6,667	19,603	17,209
Noninterest Income	1,788	3,108	1,694	9,443	8,095
Noninterest Expense	<u>5,300</u>	<u>4,535</u>	<u>4,873</u>	<u>15,212</u>	<u>13,666</u>
Income before Income Taxes	2,945	4,385	3,488	13,834	11,638
Income Tax Expense	<u>395</u>	<u>1,176</u>	<u>936</u>	<u>3,398</u>	<u>3,042</u>
Net Income	<u>\$ 2,550</u>	<u>\$ 3,209</u>	<u>\$ 2,552</u>	<u>\$ 10,436</u>	<u>\$ 8,596</u>
Earnings per Share	\$ 0.13	\$ 0.16	\$ 0.13	\$ 0.54	\$ 0.44
Earnings per Share – Fully Diluted	0.13	0.16	0.13	0.54	0.44
Cash Dividends per Share***	0.45	0.35	0.45	1.60	2.85
Net (Recoveries) Charge-offs	67	28	(2)	84	269
Deposit Fees	981	679	883	2,698	1,981
Gain on Sale of Loans	193	196	153	509	630
Gain on Sale of Freddie Mac Common Stock	-	1,906	-	4,769	4,483
Gain on Covered Calls Related to Freddie Mac Common Stock	215	141	310	538	449

***First Charter, MHC has waived its portion of these dividends, resulting in payment only to the minority stockholders.

	Three months ended			Nine months ended	
	June 30,		March 31,	June 30,	
	2006	2005	2006	2006	2005
	Unaudited				
Return on Equity	4.00%	4.89%	3.74%	5.35%	4.21%
Return on Assets	0.93	1.19	0.92	1.27	1.06
Net Interest Margin	2.46	2.22	2.49	2.48	2.17
Loan Loss Reserve as a % of Total Loans	1.55	1.84	1.57	1.55	1.84
Loan Loss Reserve as a % of Nonperforming Assets	151.14	104.50	139.27	151.14	104.50
Nonperforming Assets as a % of Total Loans and REO	1.02	1.75	1.13	1.02	1.75
Net Chargeoffs as a % of Average Loans	0.02	0.01	-	0.02	0.08
Nonperforming Assets to Total Assets	0.36	0.56	0.40	0.36	0.56
Bank Core Capital Ratio	8.77	9.86	8.79	8.77	9.86
Dividend Payout Ratio	62.85	38.36	62.77	54.47	116.54
Effective Tax Rate Expense	13.41	26.81	26.84	24.56	26.14