



News Release

FOR IMMEDIATE RELEASE

Contact:

Robert L. Johnson, President & CEO
Curt Kollar, CFO
706-645-1391
bjohnson@charterbank.net or
ckollar@charterbank.net

At The Investor Relations Company:

Mike Arneth or Woody Wallace
312-245-2700
marneth@tirc.com or wwallace@tirc.com

CHARTER FINANCIAL REPORTS 3rd QUARTER EARNINGS

- **Loans Grow to Record \$402.0 Million**
- **Deposit Fees increase \$128,000 to \$1,192,000**
- **Retail Deposit Balances Grow \$9.8 Million to \$372.7 Million**

WEST POINT, Georgia, July 25, 2007—Charter Financial Corporation (OTCBB: CHFN) today reported third quarter fiscal 2007 net income of \$2.1 million, or \$0.11 per share, compared with \$2.5 million, or \$0.13 per share, for same quarter of the prior year. The company noted the decrease in net income for the third quarter compared with the prior year quarter was attributed to a \$369,000 decline in net interest income, primarily related to a lower number of Freddie Mac shares on which the company received dividends.

Net income for the nine months ended June 30, 2007 rose to \$49.9 million or \$2.61 per share compared with \$10.4 million or \$0.54 per share for the comparable period in the prior year. The company reported that the increase in net income for the nine months was due to the sale of one million shares of Freddie Mac stock during the first quarter. The sale resulted in a pre-tax gain of \$69.5 million (\$42.6 million after tax), compared with a pre-tax gain of \$4.8 million in the same period the prior year.

Early in the second quarter the company completed a self tender offer with the purchase of 508,842 of its shares for approximately \$26.5 million. This purchase reduced the number of shares on which the company pays dividends to 3,116,197. The Company noted that First Charter, MHC, which owns approximately 82 percent of Charter Financial's outstanding shares, waives dividends on its holdings. The sale of Freddie Mac stock referred to above was completed to provide the funds to repurchase the shares and reduced the dividend income for the quarter from Freddie Mac stock by \$500,000 or about \$440,000 after taxes.

"We experienced growth in net interest income for the quarter from higher levels of loans and deposits. However, the impact of that growth was offset by lower dividend income," said Robert L. Johnson, president and CEO. "Like most banks, we continued to experience pressure on our interest margins as a result of the flat interest rate curve that has now persisted for more than a year. Short-term rates, which dictate interest paid on deposits, have risen significantly but long-term rates, partly the basis for rates we are able to charge on loans, have not increased proportionately."

Johnson noted that the interest rate curve has begun to show signs of returning to a more normal profile in recent weeks. "While it would be premature to call the movement a trend, we are optimistic that market forces are at least beginning to cause the relationship between long-term rates and short-term rates to normalize. To the extent that happens, the pressure on our margins we have been experiencing should be reduced."

"We continue to anticipate a significant boost to the economy in our market area over the next several years from the new KIA Motors Corporation assembly plant to be located between West Point and LaGrange," Johnson said. "The plant is tentatively scheduled to begin operations in 2009. As a leading community bank in the area, we expect to see accelerated growth in our retail banking business. While it is too early to project the extent of that growth, we are seeing appreciation in land prices, as well as loan and deposit growth related to land acquisition," Johnson noted.

"We are pleased with the progress in our new LaGrange, Georgia location at Lee's Crossing, which we opened in the March quarter. This branch will further fill in the bank's service delivery network and better position the bank for the KIA Motors opportunity. This reflects that part of Charter Financial's strategy to expand the bank's market share and earnings in its existing markets," Johnson said.

"We continue to progress in building our retail franchise and its earnings," Johnson stated. "Net loans receivable climbed to a record \$402.0 million, which is up \$2.0 million from March 31, 2007 and up \$17.0 million from June 30, 2006. The increase is particularly notable given the intensely competitive lending environment and conditions in the housing market. Equally important, we grew retail deposits \$9.8 million for the quarter to \$372.7 million. This compares with deposits of \$362.9 million at March 31, 2007. "

The executive stated that noninterest income increased with deposit fees gaining 21.5% to \$1.2 million for the quarter from \$981,000 for the same quarter of the prior year. "This increase is a result of our continued success in marketing our suite of checking products. The increase reflects our increased focus on growing noninterest income," Johnson concluded.

Additional financial information is available at www.charterbank.net.

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 CharterBank are in a mutual holding company structure. Charter Financial owns 3.4 million shares of Freddie Mac common stock with a market value of \$206.5 million. CharterBank is headquartered in West Point, Georgia, and operates ten 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.

Charter Financial Corporation

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

	June 30, 2007	March 31, 2007	September 30, 2006	June 30, 2006
	Unaudited			
Total Assets	\$1,028,646	\$1,064,835	\$1,097,321	\$1,105,187
Loans Receivable, Net	401,910	399,969	374,726	384,974
Mortgage Securities Available for Sale	268,073	285,083	308,150	320,102
Freddie Mac Common Stock	206,532	202,415	294,339	252,982
Other Investment Securities	31,994	32,249	37,582	37,710
Core Deposits*	206,001	202,715	169,129	175,643
Retail Deposits**	372,662	362,909	321,288	322,093
Total Deposits	401,060	413,682	372,057	396,406
Deferred Income Taxes	74,213	74,174	108,186	90,026
Borrowings	303,759	329,731	337,928	361,660
Realized Stockholders' Equity***	114,700	114,088	95,220	99,411
Accumulated Other Comprehensive Income****	118,939	118,799	172,489	144,244
Total Equity	233,639	232,887	267,709	243,655
Book Value per Share	\$12.19	\$12.15	\$13.61	\$12.41
Tangible Book Value per Share	11.90	11.86	13.33	12.12
Minority Shares Outstanding	3,116,197	3,112,697	3,592,863	3,562,254
Total Shares Outstanding	19,170,765	19,167,765	19,662,981	19,632,372
Weighted Average Total Shares Outstanding – Basic	18,972,247	18,967,899	19,438,844	19,418,930
Weighted Average Total Shares Outstanding – Diluted	19,158,884	19,144,179	19,591,492	19,552,867

* Core Deposits includes transaction accounts, money market accounts, and savings accounts.

** Retail Deposits includes Core Deposits, and certificates of deposits excluding brokered and wholesale.

***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%.

Charter Financial Corporation

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

	Three months ended			Nine months ended	
	June 30,		March 31,	June 30,	
	2007	2006	2007	2007	2006
	Unaudited				
Total Interest Income	\$13,664	\$13,739	\$13,722	\$41,231	\$39,799
Total Interest Expense	<u>7,576</u>	<u>7,282</u>	<u>7,366</u>	<u>22,414</u>	<u>20,196</u>
Net Interest Income	6,088	6,457	6,356	18,817	19,603
Provision for Loan Losses	—	—	—	—	—
Net Interest Income after Provision for Loan Losses	6,088	6,457	6,356	18,817	19,603
Noninterest Income	1,897	1,788	1,752	74,937	9,443
Noninterest Expense	<u>5,025</u>	<u>5,300</u>	<u>5,084</u>	<u>15,049</u>	<u>15,212</u>
Income before Income Taxes	2,960	2,945	3,024	78,705	13,834
Income Tax Expense	<u>846</u>	<u>395</u>	<u>1,052</u>	<u>28,821</u>	<u>3,398</u>
Net Income	<u>\$ 2,114</u>	<u>\$ 2,550</u>	<u>\$ 1,972</u>	<u>\$ 49,884</u>	<u>\$10,436</u>
Earnings per Share – Basic	\$ 0.11	\$ 0.13	\$ 0.10	\$ 2.61	\$ 0.54
Earnings per Share – Diluted	0.11	0.13	0.10	2.58	0.54
Cash Dividends per Share***	0.50	0.45	0.50	1.45	1.60
Net Charge-offs (Recoveries)	(12)	67	10	45	84
Deposit Fees	1,192	981	1,064	3,297	2,698
Gain on Sale of Loans	372	193	260	855	509
Gain on Sale of Freddie Mac Common Stock	-	-	-	69,453	4,769
Gain on Covered Calls Related to Freddie Mac Common Stock	-	215	112	300	538

***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,	
	2007	2006	2007	2007	2006
	Unaudited				
Return on Equity	3.48%	4.00%	3.22%	25.92%	5.35%
Return on Assets	0.81	0.93	0.74	6.18	1.27
Net Interest Margin	2.45	2.46	2.50	2.45	2.48
Loan Loss Reserve as a % of Total Loans	1.48	1.55	1.48	1.48	1.55
Loan Loss Reserve as a % of Nonperforming Assets	106.57	151.14	99.49	106.57	151.14
Nonperforming Assets as a % of Total Loans and REO	1.38	1.02	1.49	1.38	1.02
Net Chargeoffs as a % of Average Loans	-	0.02	-	-	0.02
Nonperforming Assets to Total Assets	0.55	0.36	0.57	0.55	0.36
Bank Core Capital Ratio	9.38	8.77	8.76	9.38	8.77
Dividend Payout Ratio	73.70	62.85	78.92	9.50	54.47
Effective Tax Rate	28.57	13.41	34.78	36.62	24.56

#