



# News Release

## FOR IMMEDIATE RELEASE

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## CHARTER FINANCIAL REPORTS FISCAL THIRD QUARTER EARNINGS

- **Net income of \$1.7 million**
- **Core capital of CharterBank twice required level**
- **Net charge-offs of \$114,000**
- **\$600,000 provision for loan losses**
- **Sold one million Freddie Mac shares after quarter end**

**WEST POINT, Georgia, July 18, 2008**—Charter Financial Corporation (OTC:CHF.N.OB) today reported third quarter fiscal 2008 net income of \$1.7 million, or \$0.09 per share, compared with \$2.1 million, or \$0.11 per share, for same quarter of the prior year. Net income for the nine months ended June 30, 2008 was \$7.6 million or \$0.40 per share compared with \$49.9 million or \$2.61 per share for the comparable period in the prior year.

The lower net income for the third quarter includes a \$1.2 million decrease in net interest income, a significant portion of which was due to the reduction in Freddie Mac's cash dividends on common stock from \$0.50 per share to \$0.25 per share, and a \$600,000 addition to the loan loss provision. These decreases were partially offset by a \$1.3 million increase in noninterest income.

CharterBank's regulatory core capital, while impacted by the lower price of Freddie Mac common stock, remains strong at 9.79%, which is almost twice the well capitalized requirement of 5%. Addressing the speculation about the future capital structure of Freddie Mac, CharterBank's core capital excluding the value of Freddie Mac common stock would be 9.64%. The Company has additional capital at the holding company level that is not included in the bank capital ratio.

The Company, including holding company and bank capital, has 15.5% equity to total assets as of June 30, 2008.

"Because of our very strong capital position, our practice has been to pay out most of our net earnings, excluding gains on the sale of Freddie Mac stock but including its cash dividend payments to us, as cash dividends to our shareholders," said Robert L. Johnson, president and CEO. "We plan to continue this practice although the uncertainty of Freddie Mac's cash dividend together with our owning less Freddie Mac stock requires that we closely monitor developments and reassess the level of our future cash dividends."

In response to continuing market uncertainties subsequent to June 30, 2008, CharterBank sold one million shares of Freddie Mac common stock. Pre-tax gain of \$6.5 million from that sale will be included in the company's fourth quarter income.

The Company noted that the higher net income for the nine months ended June 30, 2007 was due to the sale of one million shares of Freddie Mac stock during the first quarter of that year, which resulted in a pre-tax gain of \$69.5 million (\$42.6 million after tax). There was a pre-tax gain of \$3.7 million on the sale of Freddie Mac stock in the first three quarters of the current year. For the third fiscal quarter 2008, the pretax gain on Freddie Mac common stock sales was \$1.0 million compared with \$1.3 million in fiscal second quarter 2008 and no gain in fiscal third quarter 2007.

"We continue to closely monitor our asset quality and believe that our loan loss reserves are adequate," said Johnson. "We had net loan chargeoffs of \$114,000 and added \$600,000 to our reserve for loan losses for the quarter ended June 30, 2008 which brought the provision for loan losses for the nine months to \$750,000." Net charge-offs (annualized) for the quarter were eleven basis points of loan balances as of June 30, 2008. Additional information will be available at [www.charterbank.net](http://www.charterbank.net).

Discussing the Company's outlook, Johnson said: "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 located between West Point and LaGrange, Georgia, despite the present state of the U. S. auto market. This assembly plant is scheduled to open in the fall of 2009."

"We continue to make progress in building our retail franchise. Net loans receivable climbed to a record \$433.7 million, up \$19.5 million from March 31, 2008 and up \$31.8 million from June 30, 2007. This performance is a real tribute to our executives and staff under current economic conditions. It tells us we are meeting our customers' needs," concluded Johnson.

Additional information is available at [www.charterbank.net](http://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 2.3 million shares of Freddie Mac common stock with a market value of \$16.2 million as of July 14, 2008. 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.*

**FINANCIAL TABLES FOLLOW**

## Charter Financial Corporation

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

	June 30, 2008	March 31, 2008	September 30, 2007	June 30, 2007
	Unaudited			
Total Assets	\$877,871	\$905,426	\$1,021,856	\$1,028,646
Loans Receivable, Net	433,700	414,076	405,553	401,910
Mortgage Securities Available for Sale	250,881	270,952	263,351	268,073
Freddie Mac Common Stock	53,710	83,999	200,782	206,532
Other Investment Securities	30,327	36,548	31,792	31,994
Core Deposits*	184,528	188,397	203,348	206,001
Retail Deposits**	382,315	390,284	378,498	372,662
Total Deposits	460,048	453,102	430,683	401,060
Deferred Income Taxes	14,868	29,009	72,504	74,213
Borrowings	257,000	257,000	272,058	303,759
Realized Stockholders' Equity***	111,270	110,474	108,186	114,700
Accumulated Other Comprehensive Income****	24,815	47,413	116,886	118,939
<b>Total Stockholders' Equity</b>	<b>136,085</b>	<b>157,887</b>	<b>225,072</b>	<b>233,639</b>
Book Value per Share	\$7.08	\$8.21	\$11.73	\$12.19
Tangible Book Value per Share	6.80	7.93	11.44	11.90
Minority Shares Outstanding	3,550,017	3,564,622	3,136,085	3,116,197
Total Shares Outstanding	19,225,402	19,225,402	18,994,009	19,170,765
Weighted Average Total Shares Outstanding – Basic	19,029,060	19,018,570	19,097,807	18,972,247
Weighted Average Total Shares Outstanding – Diluted	19,022,054	19,064,622	19,210,548	19,158,884

\* 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,	
	2008	2007	2008	2008	2007
	Unaudited				
Total Interest Income	\$11,373	\$13,664	\$11,942	\$36,005	\$41,231
Total Interest Expense	<u>6,442</u>	<u>7,576</u>	<u>6,812</u>	<u>20,552</u>	<u>22,414</u>
Net Interest Income	4,931	6,088	5,130	15,453	18,817
Provision for Loan Losses	<u>600</u>	<u>-</u>	<u>150</u>	<u>750</u>	<u>-</u>
Net Interest Income after Provision for Loan Losses	4,331	6,088	4,980	14,703	18,817
Noninterest Income	3,168	1,897	5,173	11,105	74,937
Noninterest Expense	<u>5,049</u>	<u>5,025</u>	<u>4,828</u>	<u>15,245</u>	<u>15,049</u>
Income before Income Taxes	2,450	2,960	5,325	10,563	78,705
Income Tax Expense	<u>751</u>	<u>846</u>	<u>1,451</u>	<u>2,970</u>	<u>28,821</u>
Net Income	<u>\$ 1,699</u>	<u>\$ 2,114</u>	<u>\$ 3,874</u>	<u>\$ 7,593</u>	<u>\$ 49,884</u>
Earnings per Share – Basic	\$ 0.09	\$ 0.11	\$ 0.20	\$ 0.40	\$ 2.61
Earnings per Share – Diluted	0.09	0.11	0.20	0.40	2.58
Cash Dividends per Share	0.50	0.50	0.50	1.50	1.45
Net Charge-offs (Recoveries)	114	(12)	285	917	45
Deposit Fees	1,207	1,192	1,248	3,766	3,297
Gain on Sale of Loans	179	372	170	609	855
Gain on Sale of Freddie Mac Common Stock	1,022	-	1,302	3,671	69,453
Gain on Covered Calls Related to Freddie Mac Common Stock	241	-	1,993	1,719	300
	Three months ended			Nine months ended	
	June 30,		March 31,	June 30,	
	2008	2007	2008	2008	2007
	Unaudited				
Return on Equity	4.32%	3.48%	9.24%	5.49%	25.92%
Return on Assets	0.75	0.81	1.70	1.08	6.18
Net Interest Margin	2.35	2.45	2.40	2.36	2.45
Loan Loss Reserve as a % of Total Loans	1.33	1.48	1.28	1.33	1.48
Loan Loss Reserve as a % of Nonperforming Assets	53.69	106.57	58.04	53.69	106.57
Nonperforming Assets as a % of Total Loans and REO	2.46	1.38	2.19	2.46	1.38
Net Charge-offs (annualized) as a % of Average Loans	0.11	0.04	0.27	0.29	0.02
Nonperforming Assets to Total Assets	1.24	0.55	1.02	1.24	0.55
Bank Core Capital Ratio	9.79	9.38	9.67	9.79	9.38
Dividend Payout Ratio	93.72	73.70	41.11	82.49	9.50
Effective Tax Rate	30.65	28.57	27.25	28.12	36.62

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