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Crescent Financial Corporation Announces Solid Earnings And Strong Asset Growth For Third Quarter

CARY, N.C. – Crescent Financial Corporation (NasdaqGM: CRFN), parent company of Crescent State Bank of Cary, N.C., today announced unaudited net income for the quarter ended September 30, 2007 of \$1,563,000 or \$.16 per diluted share compared with \$1,274,000 or \$0.16 per diluted share for the prior year period. Per share results for 2006 have been adjusted to reflect the 11-for-10 stock split occurring in May 2007. Although unaudited net income increase by 23% in the current quarter compared to the prior year period, earnings per share was flat due in part to the issuance of 2.7 million shares, adjusted for the split, in conjunction with the August 31, 2006 acquisition of Port City Capital Bank located in Wilmington, NC.

Third quarter earnings resulted from impressive growth in earning assets over the past twelve months. Since September 30, 2006, earning assets have increased by \$125 million or 20%, all of which represents internal growth. For the three month period July 1 through September 30, 2007, gross loans increased by over \$43 million. The strong loan demand largely accounted for the \$666,000 loan provision recorded during the current quarter compared with \$182,000 for the prior period quarter. The Company has no exposure to the sub prime sector in the lending portfolio.

The growth in earning assets resulted in an increase in net interest income of \$1.9 million or 38% compared to the prior period despite the net interest margin declining to 3.72% from 3.89%. While our net interest margin somewhat stabilized compared with the 3.73% reported in the second quarter, the recent interest rate reductions will result in additional pressure on margin in the short-term. Non-interest income declined in the current quarter to \$689,000 compared to \$695,000 for the prior year period. The decline is primarily attributable to a \$48,000 reduction in mortgage loan origination fees. Non-interest expenses increased by \$970,000 or 28%. The majority of the increases occurred in those expense categories most impacted by the Port City Capital Bank acquisition such as employee compensation, occupancy and data processing. Recent changes in the Federal Deposit Insurance Corporation assessments caused insurance premiums to increase five fold.

For the nine months ended September 30, 2007, Crescent reported net income of \$4,476,000 or \$.47 per diluted share compared with \$3,260,000 or \$0.45 per diluted share for the nine months ended September 30, 2006. Net interest income for the current nine-month period was \$19.6 million, representing an increase of \$6.4 million or 49% over the \$13.2 million for the prior year period. The net interest margin for the current nine-month period was 3.76% compared to 3.97% for the prior year period. Non-interest income increased by \$55,000 or 3% and non-interest expenses increased by \$3.8 million or 41%. Port City Capital Bank was acquired on August 31, 2006 and therefore only one month of financial results were included in the September 30, 2006 non-interest expense figures. The provision for loan losses for the current nine-month period was over \$1.3 million compared with \$617,000 for the prior year period. The significant increase in loan loss provision is primarily due to the \$102 million increase in gross loan outstanding since December 31, 2006.

Crescent Financial Corporation reported total assets on September 30, 2007 of \$814 million, reflecting a \$130 million or 19% increase over total assets of \$684 million on September 30,

2006. Total net loans increased by \$124 million or 24% to \$643 million compared to \$519 million at September 30, 2006. Over the past twelve months, total deposits increased by \$55 million or 10%, from \$540 million to \$596 million, and total borrowings increased by 110% from \$60 million to \$126 million. Total stockholders' equity grew by \$8 million from \$81 million to \$89 million at September 30, 2007.

Quotes:

"We are extremely pleased to report another strong quarter in terms of net income and asset growth, despite an extremely challenging climate for the banking industry as a whole," said Michael G. Carlton, president of Crescent State Bank. "Our team of experienced bankers has been able to generate substantial internal growth due to the favorable economic environments in the markets we serve. We are truly fortunate to be providing banking services in the faster growing communities within North Carolina. Asset quality, our number one priority, continues to be excellent even though there was a slight increase in non performing loans during the period. With that said, our non performing loans to total loans is well below our industry peers. As we move into the fourth quarter, we will continue to build upon the strong foundation for further successes."

About Crescent State Bank:

Crescent State Bank is a wholly owned subsidiary of Crescent Financial Corporation. The Bank has total assets of \$814 million, deposits of \$596 million, and net loans of \$643 million as of September 30, 2007. The bank operates eleven full service banking offices in the communities of Cary (2), Apex, Clayton, Garner, Holly Springs, Sanford, Southern Pines, Pinehurst, Raleigh and Wilmington, North Carolina. For more information, visit <http://www.crescentstatebank.com>.

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Information in this press release contains "forward-looking statements." These statements involve risks and uncertainties that could cause actual results to differ materially, including without limitation, the effects of future economic conditions, governmental fiscal and monetary policies, legislative and regulatory changes, the risks of changes in interest rates, and the effects of competition. Additional factors that could cause actual results to differ materially are discussed in Crescent Financial Corporation's recent filings with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K and its other periodic reports.

Keywords:

Crescent State Bank, Crescent Financial, Global NASDAQ, Michael G. Carlton, Stock Report, CRFN, Quarterly Report, North Carolina Banks, North Carolina Banking, Triangle Banks, Triangle Community Banks, Federal Deposit Insurance Corporation

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