

- NEWS RELEASE -

Date: October 26, 2009
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Crescent Financial Corporation Announces Third Quarter Results

CARY, N.C. – Crescent Financial Corporation (NasdaqGM: CRFN), parent company of Crescent State Bank headquartered in Cary, North Carolina, announced unaudited net income for the three months ended September 30, 2009, before adjusting for the effective dividend on preferred stock, of \$636,000 compared to net income of \$746,000 for the prior year period. After adjusting for \$422,000 in dividends and accretion on preferred stock, net income available for common shareholders for the current period was \$214,000 or \$.02 per diluted share compared to \$.08 per diluted share for the prior year period. Core pre-tax operating earnings for the current period benefited from increases in the net interest margin and non-interest income, which more than offset increases in non-interest expenses. The increase in loan loss provision had a negative impact on bottom-line earnings.

Interest income was \$14.1 million for the current quarter compared to \$13.8 million for the prior year quarter. The increase in interest income from the higher volume of earning assets exceeded the unfavorable impact from lower yields on those assets. Yields on total earning assets did increase slightly on a linked quarter basis. Average total earning assets increased by \$111.3 million to \$983.0 million at September 30, 2009 compared with \$871.7 million for the prior year period. The yield on earning assets was 5.68% for the current quarter compared to 6.30% from a year ago and 5.66% for the second quarter of 2009. Interest expense for the third quarter declined by \$794,000 to \$6.7 million from \$7.5 million for the prior year period. Interest expense fell by \$1.3 million as a result of the cost of funds declining from 3.81% for the third quarter of 2008 to 3.03% for the current quarter. That was partially offset by a \$505,000 increase due to the volume of interest-bearing liabilities increasing by \$92.2 million to \$870.7 million. Due primarily to the drop in cost of funds, net interest margin improved by 10 basis points to 2.99% for the quarter ended September 30, 2009 compared with 2.89% for the prior year quarter.

The provision for loan losses rose by \$676,000 or 53% to almost \$2.0 million for the current quarter compared with \$1.3 million for the third quarter of 2008. Total nonperforming loans increased by \$3.2 million during the third quarter to \$16.5 million from \$13.3 million at June 30, 2009. Net charge-offs of loans in the third quarter was \$1.3 million or an annualized 0.68% of average gross loans.

Non-interest income grew by \$70,000 or 7% to \$1.1 million for the quarter ended September 30, 2009. Revenues increased across several non-interest income categories including mortgage loan origination fees, earnings on cash value of bank owned insurance, deposit service charges and customer service fees. The Company realized \$110,000 in gains on the sale of available for sale securities in September 2009. Total non-interest income for the quarter ended September 30, 2008 included approximately \$121,000 in pre-tax, non-recurring revenue.

Non-interest expenses increased by \$819,000 or 16% to \$5.9 million compared with \$5.1 million for the prior year quarter. Occupancy and personnel expenses increased by \$242,000 and \$149,000, respectively, as the Company opened two new branch offices during 2009. FDIC deposit insurance

premiums increased by \$207,000 and expenses related to loans and loan collections increased by \$116,000.

The Company has been evaluating its goodwill asset for impairment in accordance with established accounting standards. The analysis involves a two-step process. Step one determines, based on a variety of valuation techniques, whether there is an indication that goodwill might be impaired. If there is an indication of impairment, a second step is performed to determine if actual impairment exists and to what extent. Subsequent to quarter end, the Company completed a step one analysis that suggests an indication of impairment. Step two is currently being performed and the results are not expected prior to the filing deadline of the SEC Form 10-Q. If in the future, it is determined that goodwill is impaired, it will be a non-cash accounting transaction that will not impact the company's cash flows, liquidity, or tangible capital.

For the nine months ended September 30, 2009, the Company reported unaudited net income, before adjusting for the effective dividend on preferred stock, of \$1,821,000 compared to \$2,777,000 for the nine months ended September 30, 2008. After adjusting for \$1,012,000 in dividends and accretion on preferred stock, net income available for common shareholders for the current period is \$809,000 or \$.08 per diluted share compared with \$.29 for the prior period. Net interest income was \$21.9 million compared with \$19.2 million. Although the net interest margin declined by 11 basis points to 2.96% for 2009, the positive impact from the increased volume of earning assets and the reduction in the cost of funds more than offset the negative effects of lower earning asset yields and the increased volume of interest-bearing liabilities. Non-interest income decreased by \$88,000 to \$2.7 million from \$2.8 million. These results include transactions related to investment securities and other non-recurring transactions. In 2009, the Company recorded \$297,000 in net losses related to investment securities compared with net gains for 2008 of \$16,000. Total non-interest income for the nine-month period ended September 30, 2008 included \$238,000 of non-recurring revenue. Non-interest expenses increased by \$2.5 million, or 17%, with \$2.0 million attributable to personnel, occupancy and FDIC insurance premium expenses. The provision for loan losses for the current nine-month period was \$4.8 million compared with \$2.5 million for the prior year period.

Crescent Financial Corporation reports total assets on September 30, 2009 of \$1.1 billion reflecting an 11% increase over total assets of \$955.5 million at September 30, 2008. Total net loans decreased slightly from \$759.1 million to \$758.2 million, total deposits increased from \$711.6 million to \$714.2 million and total borrowings increased from \$145.7 million to \$221.7 million. Total stockholders' equity grew from \$94.2 million to \$123.5 million.

Mike Carlton, President and CEO, stated, "While there continues to be many challenges through out the markets we serve, we remain pleased with the level of core earnings that the Company has been able to generate during this time. Non-interest income and the company wide focus on core deposit gathering along with pricing discipline on loans has had a favorable impact on the net interest margin and earnings. Higher loan loss provisions have had an impact on earnings in recent quarters, however, we continue to believe our focused approach to managing asset quality will position us well for when the market begins to recover. As we approach the end of 2009, we will continue to monitor economic conditions and make the appropriate adjustments to the loan loss provision and reserve coverage. We remain committed to working with our customers through these difficult times and look forward to the opportunities that may be created by the current market conditions."

Crescent State Bank is a state chartered bank operating fifteen banking offices in Cary (2), Apex, Clayton, Holly Springs, Southern Pines, Pinehurst, Sanford, Garner, Raleigh (3), Wilmington (2) and

Knightdale, North Carolina. Crescent Financial Corporation stock can be found on the NASDAQ Global Market trading under the symbol CRFN. Investors can access additional corporate information, product descriptions and online services through the Bank's website at www.crescentstatebank.com.

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 Exchange Commission, including but not limited to its Annual Report on Form 10-K and its other periodic reports.

Crescent Financial Corporation
Financial Summary

(Amounts in thousands except share and per share data and prior quarters' information may have been reclassified)

INCOME STATEMENTS (unaudited)

	For the Three Month Period Ended				
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
INTEREST INCOME					
Loans	\$ 11,986	\$ 12,026	\$ 12,077	\$ 12,500	\$ 12,571
Investment securities available for sale	2,081	2,053	1,999	1,203	1,206
Fed funds sold and other interest-earning deposits	1	5	2	8	17
Total Interest Income	<u>14,068</u>	<u>14,084</u>	<u>14,078</u>	<u>13,711</u>	<u>13,794</u>
INTEREST EXPENSE					
Deposits	4,885	5,069	5,243	5,898	5,953
Short-term borrowings	507	506	463	323	126
Long-term debt	1,265	1,241	1,141	1,315	1,372
Total Interest Expense	<u>6,657</u>	<u>6,816</u>	<u>6,847</u>	<u>7,536</u>	<u>7,451</u>
Net Interest Income	7,411	7,268	7,231	6,175	6,343
Provision for loan losses	<u>1,958</u>	<u>1,132</u>	<u>1,697</u>	<u>3,937</u>	<u>1,282</u>
Net interest income after provision for loan losses	<u>5,453</u>	<u>6,136</u>	<u>5,534</u>	<u>2,238</u>	<u>5,061</u>
Non-interest income					
Mortgage loan origination income	223	215	296	207	189
Service charges and fees on deposit accounts	424	396	388	429	414
Earnings on life insurance	225	228	207	305	189
Gain/loss on sale of available for sale securities	110	-	-	-	-
Loss on impairment of nonmarketable investment	-	(219)	(188)	-	-
Other	146	132	85	107	267
Total non-interest income	<u>1,128</u>	<u>752</u>	<u>788</u>	<u>1,048</u>	<u>1,059</u>
Non-interest expense					
Salaries and employee benefits	3,030	3,017	2,971	2,508	2,881
Occupancy and equipment	952	904	751	699	709
Data processing	358	302	450	279	270
FDIC deposit insurance premium	310	773	249	107	103
Other	1,237	1,299	1,197	1,197	1,105
Total non-interest expense	<u>5,887</u>	<u>6,295</u>	<u>5,618</u>	<u>4,790</u>	<u>5,068</u>
Income before income taxes	694	593	704	(1,504)	1,052
Income taxes	<u>58</u>	<u>19</u>	<u>94</u>	<u>(738)</u>	<u>306</u>
Net income	<u>636</u>	<u>574</u>	<u>610</u>	<u>(766)</u>	<u>746</u>
Effective dividend on preferred stock	<u>422</u>	<u>422</u>	<u>168</u>	<u>-</u>	<u>-</u>
Net income available for common shareholders	<u>\$ 214</u>	<u>\$ 152</u>	<u>\$ 442</u>	<u>\$ (766)</u>	<u>\$ 746</u>
NET INCOME PER COMMON SHARE					
Basic	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ (0.08)</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ (0.08)</u>	<u>\$ 0.08</u>

COMMON SHARE DATA

Book value per common share	\$ 10.46	\$ 10.24	\$ 10.17	\$ 9.88	\$ 9.79
Tangible book value per common share	\$ 7.23	\$ 7.00	\$ 6.93	\$ 6.64	\$ 6.55
Ending shares outstanding	9,626,559	9,626,559	9,626,559	9,626,559	9,612,743
Weighted average common shares outstanding - basic	<u>9,569,290</u>	<u>9,569,290</u>	<u>9,569,290</u>	<u>9,565,583</u>	<u>9,548,589</u>
Weighted average common shares outstanding - diluted	<u>9,606,186</u>	<u>9,599,466</u>	<u>9,581,873</u>	<u>9,565,583</u>	<u>9,628,147</u>

PERFORMANCE RATIOS (annualized)

Return on average assets	0.24%	0.21%	0.24%	-0.14%	0.31%
Return on average equity	2.06%	1.89%	2.08%	-1.36%	3.12%
Yield on earning assets	5.68%	5.66%	5.79%	6.13%	6.30%
Cost of interest-bearing liabilities	3.03%	3.10%	3.18%	3.76%	3.81%
Net interest margin	2.99%	2.92%	2.98%	2.75%	2.89%
Efficiency ratio	68.94%	78.49%	69.96%	66.33%	68.46%
Net loan charge-offs	0.68%	0.94%	0.22%	0.68%	0.08%

(Amounts in thousands except share and per share data and prior quarters' information may have been reclassified)

INCOME STATEMENTS (unaudited)

	For the Nine Month Period Ended	
	Sept 30, 2009	Sept 30, 2008
INTEREST INCOME		
Loans	\$ 36,089	\$ 36,978
Investment securities available for sale	6,134	3,640
Fed funds sold and other interest-earning deposits	8	75
Total Interest Income	<u>42,231</u>	<u>40,693</u>
INTEREST EXPENSE		
Deposits	15,197	17,165
Short-term borrowings	1,477	333
Long-term debt	3,646	4,036
Total Interest Expense	<u>20,320</u>	<u>21,534</u>
Net Interest Income	21,911	19,159
Provision for loan losses	<u>4,787</u>	<u>2,547</u>
Net interest income after provision for loan losses	<u>17,124</u>	<u>16,612</u>
Non-interest income		
Mortgage loan origination income	735	512
Service charges and fees on deposit accounts	1,208	1,177
Earnings on life insurance	660	431
Gain/loss on sale of available for sale securities	110	16
Gain/(loss) on disposal of assets	-	-
Loss on impairment of nonmarketable investment	(407)	-
Other	363	621
Total non-interest income	<u>2,669</u>	<u>2,757</u>
Non-interest expense		
Salaries and employee benefits	9,018	8,603
Occupancy and equipment	2,607	2,028
Data processing	1,110	801
FDIC deposit insurance premium	1,332	295
Other	3,733	3,528
Total non-interest expense	<u>17,800</u>	<u>15,255</u>
Income before income taxes	1,993	4,114
Income taxes	<u>172</u>	<u>1,337</u>
Net income	<u>1,821</u>	<u>2,777</u>
Effective dividend on preferred stock	<u>1,012</u>	<u>-</u>
Net income available for common shareholders'	<u>\$ 809</u>	<u>\$ 2,777</u>
NET INCOME PER COMMON SHARE		
Basic	<u>\$ 0.08</u>	<u>\$ 0.29</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.29</u>
Weighted average common shares outstanding - basic	<u>9,569,290</u>	<u>9,476,117</u>
Weighted average common shares outstanding - diluted	<u>9,585,422</u>	<u>9,642,969</u>

PERFORMANCE RATIOS (annualized)

Return on average assets	0.23%	0.41%
Return on average equity	2.01%	3.94%
Yield on earning assets	5.71%	6.51%
Cost of interest-bearing liabilities	3.11%	3.90%
Net interest margin	2.96%	3.07%
Efficiency ratio	72.42%	69.50%
Net loan charge-offs	0.61%	0.15%

(Amounts in thousands except share and per share data)

CONSOLIDATED BALANCE SHEETS (unaudited)

	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008 (a)	September 30, 2008
ASSETS					
Cash and due from banks	\$ 7,841	\$ 10,394	\$ 10,373	\$ 9,917	\$ 12,320
Interest earning deposits with banks	4,436	3,207	24,236	267	639
Federal funds sold	5,545	15,285	99	99	9,477
Investment securities available for sale at fair value	198,309	193,764	197,957	105,649	96,015
Loans	771,997	775,301	787,657	785,377	769,060
Allowance for loan losses	(13,782)	(13,144)	(13,855)	(12,585)	(9,988)
Net Loans	758,215	762,157	773,802	772,792	759,072
Accrued interest receivable	4,255	4,347	4,207	3,341	3,327
Federal Home Loan Bank stock	11,777	11,777	11,910	7,264	7,264
Bank premises and equipment	11,946	12,007	11,842	10,845	10,297
Investment in life insurance	17,444	17,229	17,011	16,812	16,517
Goodwill	30,233	30,233	30,233	30,233	30,233
Other intangibles	860	893	926	960	993
Other assets	12,842	12,064	9,749	10,132	9,373
Total Assets	\$ 1,063,703	\$ 1,073,357	\$ 1,092,345	\$ 968,311	\$ 955,527
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Deposits					
Demand	\$ 66,947	\$ 67,371	\$ 64,985	\$ 63,946	\$ 69,594
Savings	59,973	58,150	59,393	58,834	64,214
Money market and NOW	148,560	136,644	134,160	130,542	120,430
Time	438,702	444,537	473,066	461,561	457,405
Total Deposits	714,182	706,702	731,604	714,883	711,643
Short-term borrowings	88,000	128,000	114,758	37,706	20,000
Long-term debt	133,748	113,748	121,748	116,748	125,748
Accrued expenses and other liabilities	4,258	3,680	3,762	3,882	3,986
Total Liabilities	940,188	952,130	971,872	873,219	861,377
STOCKHOLDERS' EQUITY					
Preferred stock	22,798	22,687	22,576	-	-
Common stock	9,627	9,627	9,626	9,627	9,613
Warrant	2,367	2,367	2,367	-	-
Additional paid-in capital	74,484	74,439	74,395	74,349	74,256
Retained earnings	11,298	11,083	10,931	10,489	11,254
Accumulated other comprehensive income (loss)	2,941	1,024	578	627	(973)
Total Stockholders' Equity	123,515	121,227	120,473	95,092	94,150
Total Liabilities and Stockholders' Equity	\$ 1,063,703	\$ 1,073,357	\$ 1,092,345	\$ 968,311	\$ 955,527

(a) Derived from audited consolidated financial statements.

CAPITAL RATIOS

Tangible equity to tangible assets	8.95%	8.65%	8.42%	6.82%	6.81%
Tangible common equity to tangible assets	6.74%	6.47%	6.29%	6.82%	6.81%
Tier 1 leverage ratio (current quarter estimate)	9.48%	9.34%	9.45%	7.67%	7.89%
Tier 1 risk-based capital ratio (current quarter estimate)	11.49%	11.43%	11.29%	8.53%	8.66%
Total risk-based capital ratio (current quarter estimate)	13.63%	13.56%	13.42%	10.68%	10.77%

ASSET QUALITY RATIOS (in thousands)

Non accrual loans	\$ 16,540	\$ 13,335	\$ 16,421	\$ 13,094	\$ 2,772
Accruing loans > 90 days past due	-	-	4	-	-
Total nonperforming loans	16,540	13,335	16,425	13,094	2,772
Other real estate owned & repossessions	5,298	4,401	1,911	1,716	1,870
Total nonperforming assets	\$ 21,838	\$ 17,736	\$ 18,336	\$ 14,810	\$ 4,642
Allowance for loan losses to loans	1.79%	1.70%	1.76%	1.60%	1.30%
Nonperforming loans to total loans	2.14%	1.72%	2.09%	1.67%	0.36%
Nonperforming assets to total assets	2.05%	1.65%	1.68%	1.53%	0.49%
Restructured not included in categories above	9,525	4,482	89	-	-

AVERAGE BALANCES (in thousands)

	For the Three Month Period Ended				
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Total Assets	\$ 1,060,002	\$ 1,070,516	\$ 1,053,447	\$ 958,547	\$ 941,317
Gross loans	772,419	782,886	788,810	779,534	765,539
Earnings assets	983,005	998,892	985,755	889,992	871,723
Deposits	706,356	704,791	703,872	712,511	695,083
Interest-bearing liabilities	870,680	882,079	872,056	796,557	778,529
Shareholders' equity	122,498	122,049	119,070	95,457	94,824
	For the Nine Month Period Ended				
	Sept 30, 2009	Sept 30, 2008			
Total Assets	\$ 1,061,345	\$ 901,142			
Gross loans	781,311	728,901			
Earnings assets	989,207	834,737			
Deposits	705,015	663,080			
Interest-bearing liabilities	874,933	738,228			
Shareholders' equity	121,250	94,214			