

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

**Crescent Financial Bancshares, Inc.**

CIK: **1143921** | IRS No.: **452915089** | Fiscal Year End: **1231**  
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SIC: **6022** State commercial banks

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **April 30, 2012**

**Crescent Financial Bancshares, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**000-32951**  
(Commission File Number)

**45-2915089**  
(IRS Employer Identification No.)

**3600 Glenwood Avenue, Suite 300**  
**Raleigh, North Carolina**  
(Address of principal executive offices)

**27612**  
(Zip Code)

Registrant's telephone number, including area code: **(919) 659-9000**

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**Item 2.02. Results of Operations and Financial Condition.**

On April 30, 2012 the Registrant issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

Exhibit 99.1. Press release dated April 30, 2012

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Crescent Financial Bancshares, Inc.**  
(Registrant)

**April 30, 2012**  
(Date)

**/s/ SCOTT CUSTER**  
Scott Custer  
*President and Chief Executive Officer*

**Exhibit Index**

99.1 Press release dated April 30, 2012

## **Crescent Financial Bancshares, Inc. Announces Financial Results for First Quarter of 2012 and Approval to Resume Payments on TARP Preferred Stock and Trust Preferred Securities**

RALEIGH, N.C., April 30, 2012 (GLOBE NEWSWIRE) -- Crescent Financial Bancshares, Inc. (Nasdaq:CRFN), the parent company of Crescent State Bank, today reported financial results for the first quarter of 2012 and announced that it has received approval from its primary regulator to resume payment of preferred dividends on securities issued to the U.S. Treasury in connection with the TARP Capital Purchase Program ("TARP Preferred Stock") and interest payments due on its subordinated debentures which were funded through the issuance of trust preferred securities.

Highlights of the first quarter for Crescent Financial Bancshares, Inc. (the "Company") include the following:

- Net income totaled \$708 thousand in the first quarter of 2012, which was an increase from a net loss of \$7.0 million in the predecessor first quarter of 2011 and a net loss of \$148 thousand in the successor period of November 19 to December 31, 2011;
- After the effective dividend on preferred stock, net income available to common stockholders totaled \$324 thousand, or \$0.01 per share, in the first quarter of 2012, which was an increase from a net loss to common stockholders of \$7.5 million, or (\$0.78) per share, in the predecessor first quarter of 2011 and a net loss to common stockholders of \$330 thousand, or (\$0.01) per share, in the successor period of November 19 to December 31, 2011;
- Asset quality continued to improve as total nonperforming assets decreased from \$32.3 million, or 3.87% of total assets, as of December 31, 2011 to \$20.9 million, or 2.53% of total assets, as of March 31, 2012;
- Net interest margin improved to 4.46% in the first quarter of 2012 from 2.82% in the predecessor first quarter of 2011 and from 3.24% in the successor period of November 19 to December 31, 2011; and
- Capital ratios continued to increase as the Company's Tier 1 leverage and total risk-based capital ratios increased from 10.68% and 15.27%, respectively, as of December 31, 2011 to 12.72% and 16.87%, respectively, as of March 31, 2012.

"In the first quarter of 2012, Crescent improved its earnings, asset quality, net interest margin and capital ratios," stated Scott Custer, President and CEO of the Company and Piedmont Community Bank Holdings, Inc. ("Piedmont"). Mr. Custer continued, "Despite expenses related to the disposition and management of legacy problem assets, we are pleased with the financial and operating improvements made across the Company, including the implementation of our new operating model. Since Piedmont's investment, we have aggressively resolved legacy problem assets through a variety of disposition strategies. At the same time, we have built a first-class team and a strong underwriting process to originate high-quality commercial and consumer loans. Crescent remains one of the most strongly capitalized banks in the Southeast and is building a sustainable model for community banking that is focused on providing financial services to businesses, business owners, and professionals throughout its markets."

On April 12, 2012, the Company received approval from its primary regulator to resume payment of preferred dividends on its TARP Preferred Stock and interest payments due on its trust preferred securities. The Company deferred dividend payments on its TARP Preferred Stock beginning with the payment due February 15, 2011. The Company will pay all deferred preferred dividends of \$1.6 million plus current dividends on the next scheduled quarterly payment date of May 15, 2012. The Company deferred interest payments on its trust preferred securities beginning with the payment due April 7, 2011 but continued to accrue interest expense in its consolidated financial statements. The Company will pay all accrued deferred interest of \$371 thousand plus current interest on the next scheduled quarterly payment date of July 7, 2012.

### **Piedmont Investment**

On November 18, 2011, the Company completed the issuance and sale of 18,750,000 shares of its common stock to Piedmont for \$75.0 million in cash (the "Piedmont Investment"). As part of its investment, Piedmont also made a tender offer to the Company's stockholders commencing on November 8, 2011 to purchase up to 67% of the Company's outstanding common stock at a price of \$4.75 per share ("Tender Offer"). Pursuant to the Tender Offer, Piedmont purchased 6,128,423 shares of the Company's common stock for \$29.1 million. As a result of the Piedmont Investment and the Tender Offer, Piedmont owns approximately 88% of the Company's outstanding common stock.

Because of the level of Piedmont's ownership and control, the Company has applied push-down accounting. Accordingly, the Company's assets and liabilities were adjusted to estimated fair value at the acquisition date, and the allowance for loan losses was eliminated. The Company is currently within the one-year measurement period with respect to the acquisition date, and thus, material adjustments to these purchase accounting fair value adjustments are possible. In the first quarter of 2012, the Company increased goodwill by \$1.8 million as a result of adjustments to refine the Company's acquisition date estimate of market rent on two branch leases as well as adjustments to refine the valuation of certain other real estate owned based on subsequent selling prices. Balances and activity in the Company's consolidated financial statements prior to the Piedmont Investment have been labeled with "Predecessor Company" while balances and activity subsequent to the Piedmont Investment have been labeled with "Successor Company."

### **Net Interest Income**

Net interest income in the first quarter of 2012 totaled \$7.9 million while net interest income in the first quarter of 2011 totaled \$6.0 million. Net interest margin increased from 2.82% in the first quarter of 2011 to 4.46% in the first quarter of 2012. This significant margin improvement was primarily due to a decline in funding costs as the average rate on total interest-bearing liabilities fell from 2.33% in the first quarter of 2011 to 0.95% in the first quarter of 2012. Yield on earning assets increased from 4.93% in the first quarter of 2011 to 5.25% in the first quarter of 2012. Average earning assets totaled \$718.6 million in the first quarter of 2012, which was a decline from \$907.8 million in the first quarter of 2011. The decline in average earning assets was due to balance sheet restructuring late in 2011, a change in the Company's business model which has shifted the loan portfolio mix, purchase accounting fair value adjustments, and continued resolution of legacy problem assets.

Accretion of the discount on purchased non-impaired loans added \$380 thousand to net interest income in the first quarter of 2012 and increased earning asset yields by 0.21%. Additionally, the Company recorded \$563 thousand of income in the quarter related to recovery payments in excess of carrying value on certain purchased credit-impaired loans, which benefited earning asset yields by 0.31%. Net amortization of purchase accounting fair value adjustments on interest-bearing liabilities increased net interest income by \$859 thousand in the first quarter of 2012 and lowered funding costs by 0.60%. The remaining 0.78% decline in funding costs from the first quarter of 2011 was due to the repricing and change in mix of deposits to favor low-cost, core deposits.



## **Provision for Loan Losses and Asset Quality**

Provision for loan losses in the first quarter of 2012 totaled \$804 thousand while provision for loan losses in the predecessor first quarter of 2011 totaled \$7.0 million. The loan loss provision in the first quarter of 2012 reflected an increase of \$139 thousand in estimated losses in loans originated subsequent to the Piedmont Investment as well as \$665 thousand of credit losses on the purchased non-impaired loan portfolio. Although the purchased non-impaired loan portfolio was adjusted to fair value at acquisition, the Company records charge-offs for losses in excess of the fair value adjustments and provides reserves for deterioration in credit quality on this portfolio since acquisition. The purchased credit-impaired loan portfolio was adjusted to fair value at acquisition and no additional impairment on these loans was evident during the first quarter of 2012.

Nonperforming loans as a percentage of total loans held for investment totaled 2.99% as of March 31, 2012, which was a decline from 7.15% as of March 31, 2011 and 4.14% as of December 31, 2011. Total nonperforming assets (which include nonaccrual loans, loans past due 90 days or more and still accruing, other real estate owned and repossessed loan collateral) as a percentage of total assets as of March 31, 2012 totaled 2.53%, which was a decline from 6.33% as of March 31, 2011 and 3.87% as of December 31, 2011.

## **Noninterest Income**

Noninterest income in the first quarter of 2012 totaled \$1.6 million compared with \$1.0 million in the predecessor first quarter of 2011. The primary reason for this increase is the growth in the Company's mortgage lending business. Total mortgage lending income increased from \$166 thousand in the first quarter of 2011 to \$655 thousand in the first quarter of 2012. The Company restructured its mortgage lending business following the Piedmont Investment, hired additional experienced mortgage lenders and continues to benefit from the currently low interest rate environment.

## **Noninterest Expense**

Noninterest expense in the first quarter of 2012 totaled \$7.7 million compared with \$7.1 million in the predecessor first quarter of 2011. Salaries and employee benefits increased by \$475 thousand due to a contract termination payment to a former executive as well as the recent additions of certain management positions as part of the Company's management team and business line restructuring. Also contributing to higher noninterest expense was a \$98 thousand increase in data processing costs and a \$113 thousand increase in professional services expense.

## **Income Taxes**

Income tax expense in the first quarter of 2012 totaled \$354 thousand, which represented a 33% effective tax rate on pre-tax income. This effective tax rate was determined by the Company's statutory income tax rate adjusted for non-taxable municipal investment income and earnings on life insurance. The Company did not record any tax benefit associated with the pre-tax loss in the predecessor first quarter of 2011. The valuation allowance on deferred tax assets was increased by \$2.8 million during the first quarter of 2011, which represented a full reserve on the tax benefit generated by losses in that quarter.

Because of the improvement in the Company's earnings prospects following the Piedmont Investment and following an analysis of positive and negative evidence related to its deferred tax assets, the Company determined that there was sufficient positive evidence to indicate that it would likely realize the full value of its deferred tax assets over time and therefore established no valuation allowance on its deferred tax assets as of March 31, 2012.

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 Bancshares, Inc. 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 <http://www.crescentstatebank.com>.

### **Forward-looking Statements**

*Information in this press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially, including without limitation, risks associated with the ownership by Piedmont of a majority of the company's voting power, including interests of Piedmont differing from other stockholders or any change in management, strategic direction, business plan, or operations, the Company's new management's ability to successfully integrate into the Company's business and execute its business plan, local economic conditions affecting retail and commercial real estate, disruptions in the credit markets, changes in interest rates, adverse developments in the real estate market affecting the value and marketability of collateral securing loans made by the Bank, the failure of assumptions underlying loan loss and other reserves, competition and the risk of new and changing regulation. Additional factors that could cause actual results to differ materially are discussed in the Company's filings with the Securities and Exchange Commission, including without limitation its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K. The forward-looking statements in this press release speak only as of the date of the press release, and the Company does not assume any obligation to update such forward-looking statements.*

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

**INCOME STATEMENTS (unaudited)**

|  | <i>Successor Company</i>                        |  | <i>Predecessor Company</i>                         |                                  |                |          |
|--|---|--|--|----------------------------------|----------------|----------|
|  | For the Three Month Period Ended March 31, 2012 | For the Period November 19 through December 31, 2011 | For the Period October 1 through November 18, 2011 | For the Three Month Period Ended |                |          |
|  |   |  | September 30, 2011                                 | June 30, 2011                    | March 31, 2011 |          |
| <b>INTEREST INCOME</b>                                     |   |  |  |                                  |                |          |
| Loans  | \$ 8,335  | \$ 4,252   | \$ 4,439   | \$ 9,030                         | \$ 9,022       | \$ 9,078 |
| Investment securities available for sale                   | 963   | 313  | 874  | 1,836                            | 1,825          | 1,663    |
| Fed funds sold and other interest-earning deposits         | 12  | 45   | 7  | 18                               | 28             | 29       |
| Total interest income                                      | 9,310   | 4,610  | 5,320  | 10,884                           | 10,875         | 10,770   |
| <b>INTEREST EXPENSE</b>                                    |   |  |  |                                  |                |          |
| Deposits   | 1,124   | 617  | 1,315  | 2,719                            | 3,131          | 3,349    |
| Short-term borrowings                                      | 2   | 18   | 21   | 21                               | 21             | 15       |
| Long-term debt   | 276   | 624  | 718  | 1,387                            | 1,377          | 1,371    |
| Total interest expense                                     | 1,402   | 1,259  | 2,054  | 4,127                            | 4,529          | 4,735    |
| Net interest income  | 7,908   | 3,351  | 3,266  | 6,757                            | 6,346          | 6,035    |
| Provision for loan losses                                  | 804   | 227  | 2,207  | 4,452                            | 3,035          | 7,024    |
| Net interest income (loss) after provision for loan losses | 7,104   | 3,124  | 1,059  | 2,305                            | 3,311          | (989)    |
| <b>Non-interest income</b>                                 |   |  |  |                                  |                |          |
| Mortgage origination fees                                  | 68  | 23   | 38   | 83                               | 57             | 75       |
| Gain on sale of mortgage loans                             | 588   | 146  | 303  | 392                              | 202            | 91       |
| Service charges and fees on deposit accounts               | 447   | 217  | 242  | 470                              | 457            | 447      |
| Earnings on life insurance                                 | 204   | 103  | 112  | 215                              | 216            | 213      |
| Gain on sale of available for sale securities              | 192   | (55)   | 3,642  | 57                               | 189            | 101      |
| Impairment of marketable equity securities                 | --  | --   | --   | (48)                             | --             | --       |
| Impairment of nonmarketable equity securities              | --  | --   | --   | 179                              | (179)          | --       |
| Other  | 150   | 50   | 174  | 96                               | 134            | 115      |
| Total non-interest income                                  | 1,649   | 484  | 4,511  | 1,444                            | 1,076          | 1,042    |
| <b>Non-interest expense</b>                                |   |  |  |                                  |                |          |
| Salaries and employee benefits                             | 3,822   | 2,399  | 3,163  | 3,140                            | 3,137          | 3,347    |
| Occupancy and equipment                                    | 971   | 436  | 529  | 968                              | 980            | 1,012    |

|  |            |            |           |            |            |            |
|--|------------|------------|-----------|------------|------------|------------|
| Data processing                                      | 519        | 241        | 241       | 447        | 449        | 420        |
| FDIC insurance premiums                              | 345        | 141        | 191       | 292        | 377        | 449        |
| Net loss (gain) on foreclosed assets                 | (58)       | (9)        | (74)      | 291        | 1,187      | 159        |
| Other loan related expense                           | 496        | 231        | 373       | 378        | 460        | 333        |
| Other  | 1,596      | 837        | 1,174     | 1,237      | 1,242      | 1,380      |
| Total non-interest expense                           | 7,691      | 4,276      | 5,597     | 6,753      | 7,832      | 7,100      |
| Income (loss) before income taxes                    | 1,062      | (668)      | (27)      | (3,004)    | (3,445)    | (7,047)    |
| Income taxes   | 354        | (520)      | --        | --         | --         | --         |
| Net income (loss)                                    | 708        | (148)      | (27)      | (3,004)    | (3,445)    | (7,047)    |
| Effective dividend on preferred stock                | 384        | 182        | 233       | 442        | 437        | 427        |
| Net income (loss) attributable common shareholders   | \$ 324     | \$ (330)   | \$ (260)  | \$ (3,446) | \$ (3,882) | \$ (7,474) |
| <b>NET INCOME (LOSS) PER COMMON SHARE</b>            |            |            |           |            |            |            |
| Basic  | \$ 0.01    | \$ (0.01)  | \$ (0.03) | \$ (0.36)  | \$ (0.40)  | \$ (0.78)  |
| Diluted  | \$ 0.01    | \$ (0.01)  | \$ (0.03) | \$ (0.36)  | \$ (0.40)  | \$ (0.78)  |
| <b><u>COMMON SHARE DATA</u></b>                      |            |            |           |            |            |            |
| Book value per common share                          | \$ 4.24    | \$ 4.17    | \$ 4.16   | \$ 4.48    | \$ 4.74    | \$ 4.98    |
| Tangible book value per common share                 | \$ 3.39    | \$ 3.39    | \$ 4.10   | \$ 4.41    | \$ 4.67    | \$ 4.92    |
| Ending shares outstanding                            | 28,360,196 | 28,412,059 | 9,662,059 | 9,662,059  | 9,664,059  | 9,664,059  |
| Weighted average common shares outstanding - basic   | 28,360,196 | 28,353,053 | 9,587,324 | 9,587,324  | 9,586,390  | 9,581,390  |
| Weighted average common shares outstanding - diluted | 28,385,439 | 28,353,053 | 9,587,324 | 9,587,324  | 9,586,390  | 9,581,390  |
| <b><u>PERFORMANCE RATIOS</u></b>                     |            |            |           |            |            |            |
| <b><u>(annualized)</u></b>                           |            |            |           |            |            |            |
| Return on average assets                             | 0.35%      | -0.13%     | -0.02%    | -1.32%     | -1.47%     | -2.96%     |
| Return on average equity                             | 1.99%      | -0.85%     | -0.31%    | -17.59%    | -19.21%    | -36.52%    |
| Tax equivalent yield on earning assets               | 5.25%      | 4.45%      | 4.95%     | 5.05%      | 4.97%      | 4.93%      |
| Cost of interest-bearing liabilities                 | 0.95%      | 1.41%      | 2.04%     | 2.10%      | 2.24%      | 2.33%      |
| Tax equivalent net interest margin                   | 4.46%      | 3.24%      | 3.09%     | 3.17%      | 2.95%      | 2.82%      |
| Efficiency ratio                                     | 80.48%     | 111.51%    | 71.97%    | 82.34%     | 105.52%    | 100.33%    |
| Net loan charge-offs                                 | 0.06%      | 0.00%      | 2.74%     | 2.64%      | 2.62%      | 2.57%      |

(Amounts in thousands)

**CONSOLIDATED BALANCE SHEETS (unaudited)**

|   | <i>Successor Company</i> |                          | <i>Predecessor Company</i> |                  |                   |
|---|--------------------------|--------------------------|----------------------------|------------------|-------------------|
|   | March 31,<br>2012        | December 31,<br>2011 (a) | September 30,<br>2011      | June 30,<br>2011 | March 31,<br>2011 |
| <b>ASSETS</b>                               |                          |                          |                            |                  |                   |
| Cash and due from banks                     | \$ 12,027                | \$ 8,844                 | \$ 9,551                   | \$ 8,594         | \$ 7,986          |
| Interest-earning deposits with banks        | 2,120                    | 1,773                    | 1,187                      | 1,143            | 1,837             |
| Federal funds sold                          | 42,925                   | 14,745                   | 20,780                     | 41,415           | 56,560            |
| Investment securities available for sale    | 144,944                  | 143,504                  | 216,932                    | 200,922          | 187,996           |
| Mortgage loans held for sale                | 3,317                    | 3,841                    | 2,821                      | 1,949            | 805               |
| Loans held for investment                   | 515,761                  | 552,877                  | 615,980                    | 636,408          | 652,783           |
| Allowance for loan losses                   | (737)                    | (227)                    | (22,601)                   | (22,319)         | (23,485)          |
| Net Loans                                   | 515,024                  | 552,650                  | 593,379                    | 614,089          | 629,298           |
| Federal Home Loan Bank stock                | 8,669                    | 8,669                    | 9,156                      | 9,606            | 10,522            |
| Premises and equipment, net                 | 10,619                   | 10,286                   | 10,988                     | 11,208           | 11,394            |
| Investment in life insurance                | 19,441                   | 19,261                   | 19,068                     | 18,873           | 18,677            |
| Foreclosed assets                           | 5,497                    | 9,422                    | 13,643                     | 13,491           | 14,113            |
| Deferred tax asset, net                     | 29,691                   | 30,191                   | 11,564                     | 11,684           | 10,076            |
| Goodwill                                    | 21,816                   | 20,015                   | --                         | --               | --                |
| Other intangibles, net                      | 2,165                    | 2,230                    | 593                        | 626              | 660               |
| Other assets                                | 7,373                    | 9,072                    | 6,299                      | 13,316           | 9,634             |
| Total Assets                                | \$ 825,628               | \$ 834,503               | \$ 915,961                 | \$ 946,916       | \$ 959,558        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                          |                          |                            |                  |                   |
| <b>LIABILITIES</b>                          |                          |                          |                            |                  |                   |
| <b>Deposits</b>                             |                          |                          |                            |                  |                   |
| Demand                                      | \$ 75,320                | \$ 91,215                | \$ 70,739                  | \$ 67,616        | \$ 59,261         |
| Savings                                     | 42,613                   | 46,840                   | 50,130                     | 55,038           | 57,277            |
| Money market and NOW                        | 251,433                  | 226,584                  | 226,868                    | 228,102          | 230,432           |
| Time  | 289,463                  | 309,780                  | 338,437                    | 363,818          | 378,235           |
| Total Deposits                              | 658,829                  | 674,419                  | 686,174                    | 714,574          | 725,205           |
| Short-term borrowings                       | 5,000                    | --                       | 5,000                      | 5,000            | 5,000             |
| Long-term debt                              | 12,251                   | 12,216                   | 152,748                    | 152,748          | 152,748           |
| Accrued expenses and other liabilities      | 4,931                    | 4,809                    | 5,057                      | 5,175            | 4,936             |
| Total Liabilities                           | 681,011                  | 691,444                  | 848,979                    | 877,497          | 887,889           |
| <b>STOCKHOLDERS' EQUITY</b>                 |                          |                          |                            |                  |                   |
| Preferred stock                             | 24,489                   | 24,442                   | 23,741                     | 23,614           | 23,496            |
| Common stock                                | 28                       | 28                       | 9,662                      | 9,664            | 9,664             |
| Common stock warrant                        | 1,325                    | 1,325                    | 2,367                      | 2,367            | 2,367             |
| Additional paid-in capital                  | 117,445                  | 117,434                  | 74,736                     | 74,700           | 74,668            |
| Accumulated deficit                         | 480                      | (181)                    | (46,776)                   | (43,643)         | (40,080)          |

|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Accumulated other comprehensive income     | 850               | 11                | 3,252             | 2,717             | 1,553             |
| Total Stockholders' Equity                 | 144,617           | 143,059           | 66,982            | 69,419            | 71,668            |
| Total Liabilities and Stockholders' Equity | <u>\$ 825,628</u> | <u>\$ 834,503</u> | <u>\$ 915,961</u> | <u>\$ 946,916</u> | <u>\$ 959,558</u> |

( a ) Derived from audited consolidated financial statements.

**CAPITAL RATIOS**

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| Tangible equity to tangible assets        | 15.05% | 14.87% | 7.25%  | 7.27%  | 7.41%  |
| Tangible common equity to tangible assets | 11.99% | 11.87% | 4.66%  | 4.80%  | 4.97%  |
| Tier 1 leverage ratio                     | 12.72% | 10.68% | 7.25%  | 7.52%  | 7.57%  |
| Tier 1 risk-based capital ratio           | 15.66% | 14.26% | 9.39%  | 9.64%  | 9.74%  |
| Total risk-based capital ratio            | 16.87% | 15.27% | 11.71% | 11.92% | 12.01% |

**ASSET QUALITY RATIOS (in thousands)**

|  | <b><i>Successor Company</i></b> |                      | <b><i>Predecessor Company</i></b> |                  |                   |
|--|---------------------------------|----------------------|-----------------------------------|------------------|-------------------|
|  | March 31,<br>2012               | December 31,<br>2011 | September 30,<br>2011             | June 30,<br>2011 | March 31,<br>2011 |
| Nonperforming loans  | \$ 15,423                       | \$ 22,888            | \$ 43,115                         | \$ 39,105        | \$ 46,670         |
| Foreclosed assets  | 5,497                           | 9,422                | 13,643                            | 13,491           | 14,113            |
| Total nonperforming assets   | \$ 20,920                       | \$ 32,310            | \$ 56,758                         | \$ 52,596        | \$ 60,783         |
| Allowance for loan losses to loans                                   | 0.14%                           | 0.04%                | 3.67%                             | 3.51%            | 3.60%             |
| Allowance for loan losses to loans originated<br>in successor period | 1.73%                           | 2.03%                | N/A                               | N/A              | N/A               |
| Nonperforming loans to total loans                                   | 2.99%                           | 4.14%                | 7.00%                             | 6.14%            | 7.15%             |
| Nonperforming assets to total assets                                 | 2.53%                           | 3.87%                | 6.20%                             | 5.55%            | 6.33%             |
| Restructured not included in categories above                        | \$ --                           | \$ --                | \$ 10,602                         | \$ 7,221         | \$ 5,755          |

**Nonperforming Loan Analysis**

|                              | <b><i>Successor Company</i></b> |                                 |                        |                                 |
|------------------------------|---------------------------------|---------------------------------|------------------------|---------------------------------|
|                              | March 31, 2012                  |                                 | December 31, 2011      |                                 |
|                              | Nonperforming<br>Loans          | Percentage<br>of Total<br>Loans | Nonperforming<br>Loans | Percentage<br>of Total<br>Loans |
| Construction and development | \$ 5,859                        | 1.14%                           | \$ 10,710              | 1.94%                           |
| Commercial real estate       | 5,469                           | 1.06%                           | 6,101                  | 1.10%                           |
| Residential mortgage         | 2,922                           | 0.57%                           | 4,148                  | 0.75%                           |
| Home equity lines and loans  | 359                             | 0.07%                           | 1,128                  | 0.20%                           |
| Commercial and industrial    | 811                             | 0.16%                           | 798                    | 0.14%                           |
| Consumer                     | 3                               | 0.00%                           | 3                      | 0.00%                           |
| Totals                       | \$ 15,423                       | 2.99%                           | \$ 22,888              | 4.14%                           |

**AVERAGE BALANCES, INTEREST AND YIELDS/COSTS (in thousands)**

|   | <i>Successor Company</i>                     |          |                       |  |          |                       |      |
|---|--|----------|-----------------------|--|----------|-----------------------|------|
|   | For the Three Months Ended<br>March 31, 2012 |          |                       | For the Period<br>November 19 through<br>December 31, 2011 |          |                       |      |
|   | Average<br>Balance                           | Interest | Average<br>Yield/Cost | Average<br>Balance   | Interest | Average<br>Yield/Cost |      |
| <b><u>Interest-earnings assets</u></b>  |  |          |                       |  |          |                       |      |
| Loan portfolio  | \$ 541,361                                   | \$ 8,335 | 6.18%                 | \$563,528  | \$ 4,252 | 6.26%                 | \$66 |
| Investment securities   | 152,811                                      | 963      | 2.71% *               | 105,784  | 313      | 2.70% *               | 19   |
| Fed funds and other interest-earning  | 24,457                                       | 12       | 0.20%                 | 196,065  | 45       | 0.03%                 | 4    |
| Total interest-earning assets   | 718,629                                      | 9,310    | 5.25%                 | 865,377  | 4,610    | 4.45%                 | 90   |
| Noninterest-earning assets  | 101,449                                      |          |                       | 109,969  |          |                       | 5    |
| Total assets  | \$ 820,078                                   |          |                       | \$975,346  |          |                       | \$96 |
| <b><u>Interest-bearing liabilities</u></b>  |  |          |                       |  |          |                       |      |
| Interest-bearing NOW  | \$ 142,452                                   | 237      | 0.67%                 | \$147,061  | 183      | 1.03%                 | \$15 |
| Money market and savings  | 132,648                                      | 206      | 0.62%                 | 114,529  | 94       | 0.68%                 | 13   |
| Time deposits   | 299,895                                      | 681      | 0.91%                 | 321,316  | 340      | 0.88%                 | 37   |
| Short-term borrowings   | 3,648  | 2        | 0.22%                 | 12,132   | 18       | 1.25%                 |      |
| Long-term debt  | 12,238                                       | 276      | 9.05%                 | 145,282  | 624      | 3.56%                 | 15   |
| Total interest-bearing liabilities  | 590,881                                      | 1,402    | 0.95%                 | 740,320  | 1,259    | 1.41%                 | 82   |
| Non-interest bearing deposits   | 79,933                                       |          |                       | 83,687   |          |                       | 5    |
| Other liabilities   | 4,663  |          |                       | 6,326  |          |                       |      |
| Total liabilities   | 675,477                                      |          |                       | 830,334  |          |                       | 88   |
| Stockholders' equity  | 144,601                                      |          |                       | 145,012  |          |                       | 7    |
| Total liabilities and stockholders' equity  | \$ 820,078                                   |          |                       | \$975,346  |          |                       | \$96 |
| Net interest income   |  | \$ 7,908 |                       |  | \$ 3,351 |                       |      |
| Interest rate spread  |  |          | 4.30%                 |  |          | 3.04%                 |      |
| Tax equivalent net interest-margin  |  |          | 4.46%                 |  |          | 3.24%                 |      |
| Percentage of average interest-earning assets to average interest-bearing liabilities |  |          | 121.62%               |  |          | 116.89%               |      |

\* Shown as a tax equivalent yield

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