



Dear Members,

As a member-owned, not-for-profit financial cooperative organization, it is in the spirit of the "People Helping People" philosophy that we serve our members with outstanding financial products and services. At Coastal Federal Credit Union, our goal is to continually improve and add value to your membership.

In 2005 we addressed the direct needs of our members and member communities by taking bold strides to provide exceptional member service, convenience and privilege.

2005 Achievements

- ✓ Opened our 21st branch location (The Olive Chapel branch) in the heart of the most accessible location in Apex, N.C.
- ✓ Expanded our call center for highly responsive 24/7 transaction and lending service.
- ✓ Diversified our auto dealer network to provide auto loans right at the dealer plus purchasing and shopping assistance over the Internet.
- ✓ Extended our VISA® card portfolio to include more low-interest-rate options.
- ✓ Enhanced and re-focused our Web site to provide faster and more accurate access to information and financial learning.
- ✓ Integrated financial education into our communication and service process.
- ✓ Built new financial resource centers and equipped them to provide "Advice you can trust."
- ✓ Staffed our Trust and Investment Service Team with Coastal employees who are licensed and experienced in estate planning and financial trusts.
- ✓ Provided financial educational seminars in the community to prevent ID theft and share knowledge in the areas of wealth management, college funding, retirement and estate planning.
- ✓ Offered a first-time home buyer guidance and loan assistance program that continues to be among the industry's finest.
- ✓ Maintained a firm commitment to assist underserved small businesses in the communities we serve.

Thanks to an exceptional group of volunteers, management and staff whose teamwork and dedication make our accomplishments possible. Our Board of Directors has been greatly assisted by Sean Trout, Associate Director, and William Rogers from our Advisory Committee. We'd also like to thank an integral part of the Coastal team – the Supervisory Committee – comprised of Elbert Avery, Chairman; David L. Manning and Kat E. Vollandt, Committee Members.

In the future, look for Coastal to remain financially strong and one of our nation's most innovative credit unions. Thank you for supporting our brand of efficient, secure, private and personalized financial assistance.

Respectfully,

Richard S. Bloom

Richard S. Bloom, Chairman

W. F. Smith

William F. Smith, Secretary/Treasurer

Larry T. Wilson

Larry T. Wilson, President/CEO

Partnering with
Our Members

2005 Annual Report

Coastal Federal Credit Union is now the financial home to nearly 153,000 members and more than 1,000 select employee groups. Our assets total \$1.55 billion, and our products and services rival top financial institutions. In 2005, our assets grew by 4.5% by year-end.

As a Coastal member, you save with lower fees and financial institution costs each year. In 2005, Coastal Federal Credit Union provided loans to members at the lowest possible rates of interest, with our lending portfolio increasing by 14.7%, totaling over \$1.26 billion.

We paid more than competitive savings dividends on deposits. In 2005, Coastal paid out nearly \$20.4 million in dividends to savers.

In 2005, Coastal Federal Credit Union became a community leader in the prevention of identity theft. Our members were also provided with key opportunities to learn more about retirement, tax savings, trusts, insurance, long-term care, college funding, personal investing and more.

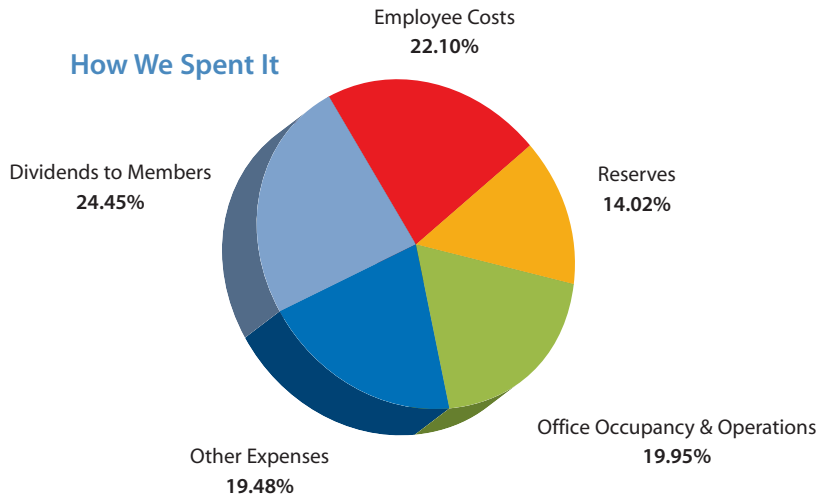
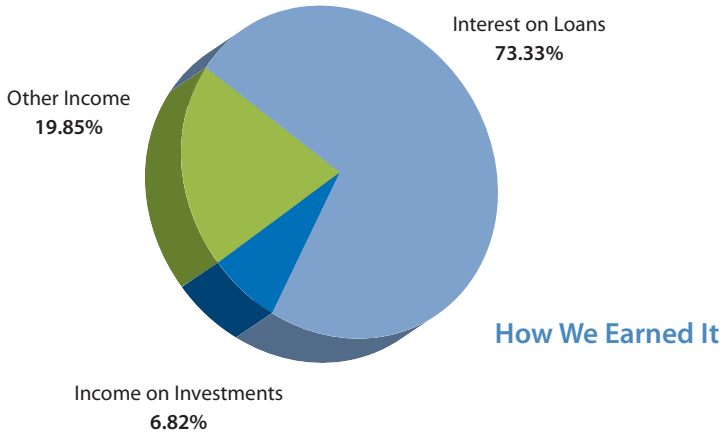
Grid Computing Partnership Tackles World Issues

In late 2005, at the invitation of our longtime partner, IBM, Coastal became the first financial institution in the world to join World Community Grid. The program harnesses unused processor power from regular desktop computers to create a virtual supercomputer, with each processing small bits of data for major, groundbreaking research projects. Our members can help in the effort by joining from home through our Web site.

Coastal Supports Our Communities

In 2005, we continued to reach out to help organizations focused on promoting education, health and human services, arts and culture, and community development. We achieved this through charitable donations, member-supported fundraisers and the volunteer efforts of our employees. Our commitment to give back was maximized by our employees, who made a company-record \$58,000 contribution to the United Way.

Distribution of Your 2005 Dollar

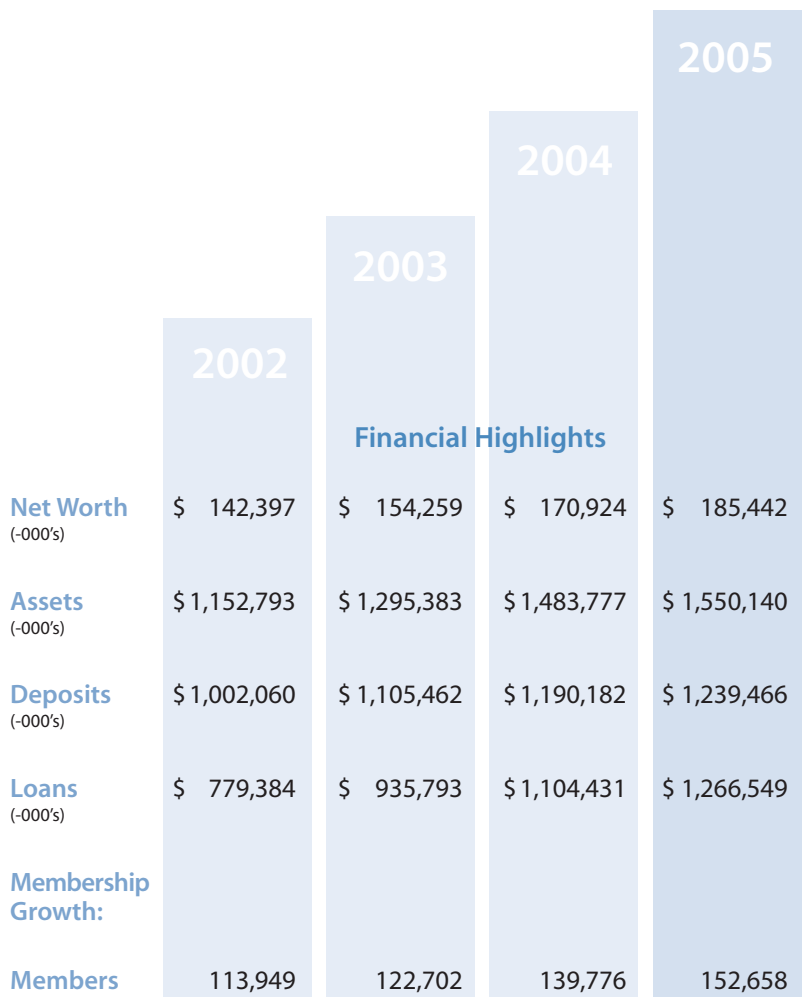


Statement of Condition

	(in thousands)
2005	
Loans to Members (net)	\$ 1,266,549
Cash & Investments	206,580
Other Assets	77,011
Total Assets	\$ 1,550,140
Liabilities	\$ 126,327
Share Accounts	1,239,466
Members' Equity	184,347
Total Liabilities and Members' Equity	\$ 1,550,140

Statement of Income and Expense

Interest on Loans	\$ 74,866
Income from Investments	6,956
Other Income	20,267
Total Operating Income	\$ 102,089
Employee Costs	\$ 22,563
Office Occupancy/Operations	20,369
Other Expenses	7,137
Total Operating Expenses	\$ 50,069
Provision for Loan Losses	\$ 9,800
Interest Expense	\$ 2,943
Dividends Paid to Members	\$ 24,962
Net Income Transferred to Reserves & Retained Earnings	\$ 14,315



Board of Directors



Richard S. Bloom
Chairman
33 years of service



Samuel L. Jordan
Vice-Chairman
34 years of service



William F. Smith
Secretary/Treasurer
36 years of service



Freddie E. Braswell
39 years of service



Joan A. Nelson
11 years of service



Deron J. Rossi
10 years of service



Leah S. Chauncey
3 years of service

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