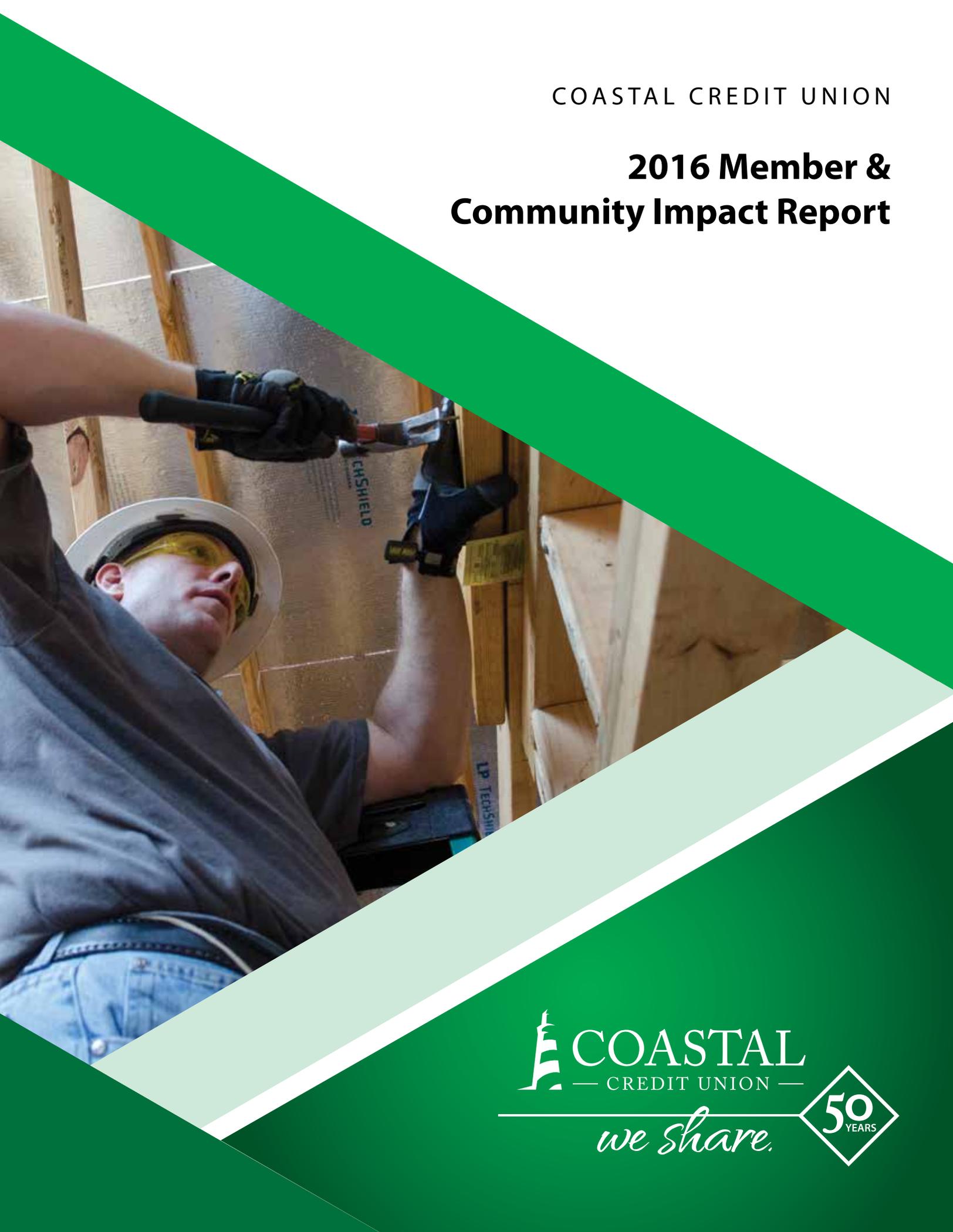


COASTAL CREDIT UNION

2016 Member & Community Impact Report



 **COASTAL**
— CREDIT UNION —

we share.



Greetings Members,

2016 was a stellar year for Coastal...and it's all thanks to you, our valued members!

More than 230,000 of you take advantage of our products and services every day.

This makes it possible for us to give back to you and to our community throughout the year. For this, we celebrate you while we thank you.

So, how did we give back? As a reward for keeping your loan and deposit relationships with Coastal, we distributed over \$2.3 Million in special dividends through our new Loyalty Bonus program. The longer the relationship you have with us, the greater dividend you received too! And if you combine Loyalty Bonus with better rates and lower fees than what our competitors produce, we gave back more than \$21 Million in total. This demonstrates Coastal's growth and sustainability in the market, too. In fact, the financial condition of Coastal, as of year-end 2016 is as follows:

- We earned net income of \$21.8 million (\$19.5 million after Loyalty Bonus payouts to members)
- Member equity increased to \$276 million and we maintained a net worth ratio of 10.19% of assets
- We grew loans by a net of \$123 million and deposits by a net of \$236 million

2016 also saw our presence in the market grow in several ways. In May, we opened a new branch in Carrboro, allowing us the opportunity to better serve our members in Orange County. With our merger with Freedom Credit Union in the fall, we gained four new branches (two at WakeMed facilities in Raleigh and Cary as well as branches in Henderson and in Rocky Mount) and 8,300 new members, allowing us to make an even greater geographic impact on our community. Additionally, also in the spring, Coastal secured the naming rights to the amphitheater at Walnut Creek, now known as Coastal Music Park, giving us greater exposure to the Triangle market and beyond.

In the fall, we completed a massive Visa credit card conversion project, streamlining our card offerings down from eight to four with the added security of each card being chip-enhanced. This gave our members clearer options from which to choose that would best serve their needs.

In the fall, we launched our Bank Better campaign aimed to differentiate Coastal from Wall Street banks. We know that a cooperative serves its member-owners and we believe our members most certainly "bank better" by choosing us as their financial institution. So, we embarked on a campaign to promote the credit union difference to those that might be seeking other options. It has been successful in that since the launch, we have seen a 16% increase in membership growth compared to 2015. More members means more reasons for us to continue to offer products and services at the best rates possible in the market, saving our members money, and putting more of it in their pockets too!

As a not-for-profit organization, we also continue to see the value of giving back to our community and as such, in 2016 Coastal took part in two major initiatives to do just that – the inaugural Power of Sharing gala in May and the launch of our partnership with Habitat for Humanity of Wake County. Both of which you can read about in the corresponding pages.

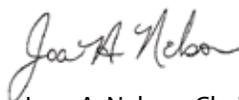
Thanks to our team of employees and our members we received several awards in 2016 – Triangle Business Journal's "Best Places to Work" and "Healthiest Employers" awards as well as the Carolina's Credit Union Foundation awards for Volunteer Lifetime Achievement given to our Board Chair, Joan Nelson, and the Dora Maxwell Award for Social Responsibility for our Power of Sharing event. Additionally, in December, our own President and CEO, Chuck Purvis, received the honor of being designated the Triangle Business Journal's Businessperson of the Year for 2016. We thank all who helped us achieve each recognition. We are honored!

As we move forward in 2017, we have a milestone to celebrate. It is our 50th Anniversary in August and you will hear more about our plans for that in the coming months. Additionally, we'll continue the Bank Better campaign, incorporating that into Coastal's massive website redesign project for this year. We'll also be breaking ground on a new branch facility in the town of Holly Springs later this year. So, yes, there is a lot in the pipeline as Coastal continues to serve our members in the Triangle and eastern North Carolina.

Finally, please join us in thanking our Vice Chair, Richard Bloom, who is retiring from the board after 44 years of service to Coastal. Mr. Bloom has helped guide the organization through nearly every decision that has led to our 50 years of success. His leadership and dedication will be missed.

We close with a great big thank you to you our member-owners. Without your support and active membership, we would not be able to offer the multitude of products and services we have while giving back to you and to our community in general. We remain committed to keeping your cooperative strong and healthy in 2017.

Sincerely,



Joan A. Nelson, Chairperson



Chuck Purvis, President & CEO



William F. Smith, Secretary/Treasurer

Distribution of Your 2016 Dollars

(in thousands)

Assets	
Loans to Members	\$2,313,141
Allowance for Loan Losses	(\$18,197)
Cash & Investments	\$413,481
Other Assets	\$115,472

Liabilities and Equity	
Member Share Accounts	\$2,337,038
Other Liabilities	\$211,036
Equity	\$275,823
Total Liabilities and Equity	\$2,823,897

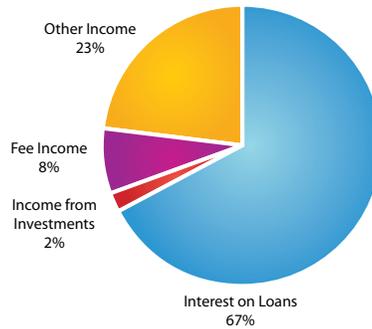
Statement of Income and Expense

Income	
Interest on Loans	\$92,287
Income from Investments	\$2,890
Fee Income	\$10,286
Other Income	\$31,455
Total Operating Income	\$136,918

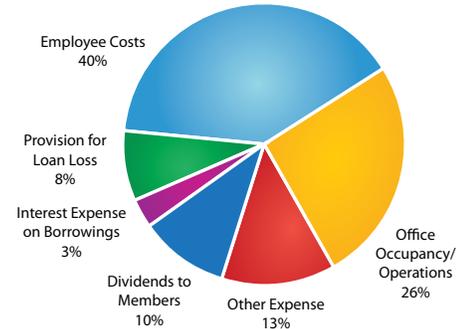
Expenses	
Dividends Paid to Members	\$12,346
Interest Expense on Borrowings	\$3,645
Provision for Loan Losses	\$9,582
Employee Costs	\$46,416
Office Occupancy/Operations	\$30,227
Other Expenses	\$15,183
Total Operating Expenses	\$117,399

Net Income	\$19,519
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How We Earned It



How We Spent It



(\$ in thousands)

	2013	2014	2015	2016
Members' Equity	\$ 222,641	\$ 242,456	\$ 251,498	\$ 275,823
Assets	\$2,232,954	\$2,423,054	\$2,602,660	\$2,823,897
Deposits	\$1,850,763	\$1,915,110	\$2,100,820	\$2,337,038
Loans (net)	\$1,624,445	\$2,004,132	\$2,171,563	\$2,294,944
Members	180,638	197,301	212,260	230,216

Coastal's Board of Directors:

Coastal Credit Union is the financial home to more than 230,000 members from 1,600 select employee groups. Coastal operates 22 branches in the central North Carolina market and serves members in all 50 states through a network of 5,000 shared branches, digital banking, featuring mobile check deposit, and a robust offering of services at www.COASTAL24.com.



Joan A. Nelson
Chairwoman
22 years of service



Richard S. Bloom
Vice Chair
44 years of service



William F. Smith
Secretary/Treasurer
47 years of service



Deron J. Rossi
21 years of service



Dave L. Manning
12 years of service



Beverly D. Baskin
9 years of service



Jason Mudd
7 years of service





we share.

Coastal's mission, vision, philosophy and values all come together to tell the story of who we are. These factors are what differentiate us from our peers and competitors, and can be expressed succinctly in one simple statement, "We Share."

While the statement is simple, the ways we demonstrate "We Share" tell not just one story, but two hundred thousand stories, all with a common message.

That message is that, as a cooperative, Coastal is a community that shares together in our success. We make decisions and take actions that are mutually beneficial to our members, our employees and the credit union. We focus on the needs of our members. We reward

members for making us successful. We take care of our employees. We give back to our community.

"We Share" is a message that shines through when we create products and pricing that are member-friendly and fair; when we reward our members with patronage dividends and new, convenient services; and when we reinvest in our communities with financial education and charitable giving.

"We Share" embodies not just who we are, but what our members expect us to be. It's what it means to be a credit union, a cooperative, and a growing contributor to a thriving community.



Cooperative Principles

As a not-for-profit financial cooperative, Coastal adheres to these seven principles:



1. Voluntary and Open Membership



2. Democratic Member Control



3. Members' Economic Participation



4. Autonomy and Independence



5. Education, Training and Information



6. Cooperation among Cooperatives



7. Concern for Community



The purpose of a bank is to reward shareholders by taking money out of the pockets of consumers and businesses. The purpose of a credit union is to reward members by putting more money in the pockets of consumers and small businesses. Can you see why large banks keep abusing consumers and you see why credit unions are the best alternative for all Americans?"

— Chuck Purvis, President, CEO Coastal Credit Union | www.BankBetter.org





Member Giveback

Over the past six years, Coastal has returned more than \$11.7 million to our members in the form of special patronage dividends. Our current special dividend program, entitled Loyalty Bonus, is paid to members as a reward for keeping their loan and deposit relationships with Coastal. Longer membership relationships earn even greater Loyalty Bonus dividends.

Combined with our Loyalty Bonus dividends, the value that Coastal provides to members in the form of better rates and lower fees than our competition produces a cumulative positive impact of more than \$21 million annually.

The credit union also has a Member Assistance Program (MAP) in place to help members who are struggling with their loan obligations. Since 2009, the MAP program has helped members restructure nearly 11,300 loans valued at \$283 million by reducing their monthly payments for a period of time to help them get back on their feet.

Beyond that, Coastal is also committed to reinvesting in the communities that we serve. In the past year alone, we donated more than \$300,000 to non-profit organizations through a combination of corporate donations and grants from the Coastal Federal Credit Union Foundation



At the end of 2016, Coastal announced the elimination of 20 member account fees for 2017. This move will put more than \$600,000 back into members' wallets each year.

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Most Americans are looking for change and for help. We provided over \$21 million in measurable financial benefits to our members in 2016 above what they would have received from any large, national bank.

— Chuck Purvis, President, CEO Coastal Credit Union | www.BankBetter.org

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Ways we save members money	How much we saved members in 2016
Savings by Refinancing Mortgages Average rate reduction of 1.00% APR per loan	\$1,704,000
Origination Fee on Purchase & Refinanced Mortgages Compare Coastal's 0.75% fee to the typical 1.00% bank fee	\$918,000
Savings by Refinancing Auto Loans Average savings of \$1,230.28 per loan	\$2,002,000
New Car Loan Rates Average savings of 1.52% APR compared to local banks	\$365,000
Used Car Loan Rates Average savings of 0.49% APR compared to local banks	\$335,000
Home Equity Line of Credit Rates Average savings of 0.15% APR compared to local banks	\$195,000
Mortgage Rates Average savings of 0.35% APR compared to local banks	\$1,467,000
Loyalty Bonus Dividends No one else locally gave back a patronage dividend	\$2,308,000
Go Green Checking Dividends Coastal's blended rate is 0.54% APY compared to 0.02% at local banks	\$2,264,000
Money Market Dividends Coastal's blended rate is 0.51% APY compared to 0.05% at local banks	\$3,109,000
Certificate Dividends Coastal's blended rate is 1.04% APY compared to 0.42% at local banks	\$1,830,000
Savings Dividends Coastal's rate is 0.10% APY compared to 0.09% at local banks	\$47,000
Health Savings Account (HSA) Dividends Coastal's rate is 1.50% APY compared to 0.35% at local banks	\$142,000
Daymark Realty Member Savings Compare Daymark's 4.5% fee to the 6.0% local average	\$146,000
Overdraft Forgiveness Program Compare Coastal's one cent fee to the average \$35.60 at banks	\$2,972,000
Bounce Guard/NSF Fee Compare Coastal's \$31 & \$33 fees to the average \$35.60 at banks	\$833,000
Overdraft Transfer Fee Compare Coastal's \$3 fee to the average \$13 at banks	\$1,068,000
Total 2016 Member Giveback	\$21,703,000



2016 Community Impact Report



we share.





Charitable Contributions

In addition to \$307,000 in foundation grants we made in the community, Coastal supported local nonprofits with \$80,000 in corporate contributions.

Habitat for Humanity

In May, Coastal announced a new partnership with Habitat for Humanity of Wake County that commits \$3 million in new, low-cost mortgage loans for Habitat families. It was the first commitment in Habitat's Together We Build More campaign, which aims to raise \$70 million in mortgage financing in philanthropic support over the next 8 years.

Financial Education

Coastal employees gave 162 financial education sessions to schools, nonprofit organizations and affiliated employer groups, reaching more than 4,600 attendees.

Free Seminars

Coastal Wealth Management conducted 29 educational seminars, attracting more than 800 attendees. Similarly, our Daymark Realty regularly held 20 first time homebuyer and 'Selling Your Home Smartly' seminars.

Shred Events

We partnered with the Better Business Bureau of Eastern NC for two Secure Your ID Day events, shredding several tons of personal documents and collecting countless recyclable electronics.

United Way

Coastal employees generously pledged more than \$107,000 through our annual workplace giving campaign.

Community Events

Our community engagement team participated in more than 2,700 events throughout the year. Events included volunteer service projects, community events and educational seminars. We also made regular visits to our business partners to help employees of each company empower themselves to improve their financial outlook.



COASTAL FEDERAL CREDIT UNION
FOUNDATION



Each time members use their Coastal debit or credit card, Coastal donates a penny to the foundation. It may seem like a small amount, but all those pennies add up to more than **\$275,000** a year to help our community.



The mission of our foundation is to enrich the lives of our members and their communities by providing financial support to 501(c)(3) organizations, particularly in the 16 county market of central North Carolina.

The Foundation's top priorities for community focus are:

- Helping the financially vulnerable
- Increasing financial literacy
- Alleviating food insecurity

In 2016, the Coastal Federal Credit Union Foundation provided more than \$307,000 in grants to nonprofit organizations throughout our community and has made more than \$605,000 in grants since 2011.



During the weekend between Small Business Saturday and Giving Tuesday (Nov. 25-29), we doubled our donation, adding another **\$6,400** to the foundation.

2016 Grant Recipients:

- Alliance Medical Ministry
- Boys and Girls Clubs of Wake County
- Carolina for the Kids
- Carolinas Credit Union Foundation
- Dress for Success
- East Durham Children's Initiative
- Families Together
- Food Bank of Central & Eastern NC
- The Green Chair Project
- Kramden Institute
- NC Council on Economic Education
- SEEDS
- StepUp Ministry
- Triangle Family Services
- Urban Ministries of Wake County
- Youth Education for Savings Consortium
- Youth Villages

The Power of Sharing

Our foundation's year was highlighted by our inaugural The Power of Sharing event. On May 26, more than 250 attendees joined the foundation and several of our business partners to showcase the work of eleven nonprofit organizations and award more than \$285,000 in grants.



Check out the highlights video at <https://vimeo.com/176476978>

For this effort, we earned the 2016 Dora Maxwell Award for Social Responsibility from the Carolinas Credit Union Foundation.

We're looking forward to the 2017 event on May 18. All of our partners have committed to returning and we're eager to recognize a new slate of nonprofit honorees.

Power of Sharing Recipients:

Business Partner Awards	
Recipient	Award
Future Farmers of America (FFA)	\$50,000
Girls on the Run	\$25,000
Global Health Connections International	\$25,000
Kramden Institute	\$25,000
YMCA of Durham	\$25,000
Collaborative Award for Projects That Inspire Education	
East Durham Children's Initiative	\$20,000
The Walking Classroom	\$ 5,000
Collaborative Award for Projects That Help Alleviate Food Insecurity	
SEEDS	\$20,000
Alice Aycock Poe Center	\$ 5,000
The Coastal Award for Projects That Help the Financially Vulnerable	
Youth Villages	\$65,000
Families Together	\$10,000

Sharing is more than giving freely from what you have. It's about pooling together what we all have to offer to create something far bigger than ourselves, and far better than what we can accomplish individually. Sharing is good. Sharing is powerful. Sharing is the bedrock of a community.

— Chuck Purvis, President, CEO Coastal Credit Union | www.BankBetter.org





COASTAL CREDIT UNION | *we share.* | www.BankBetter.org