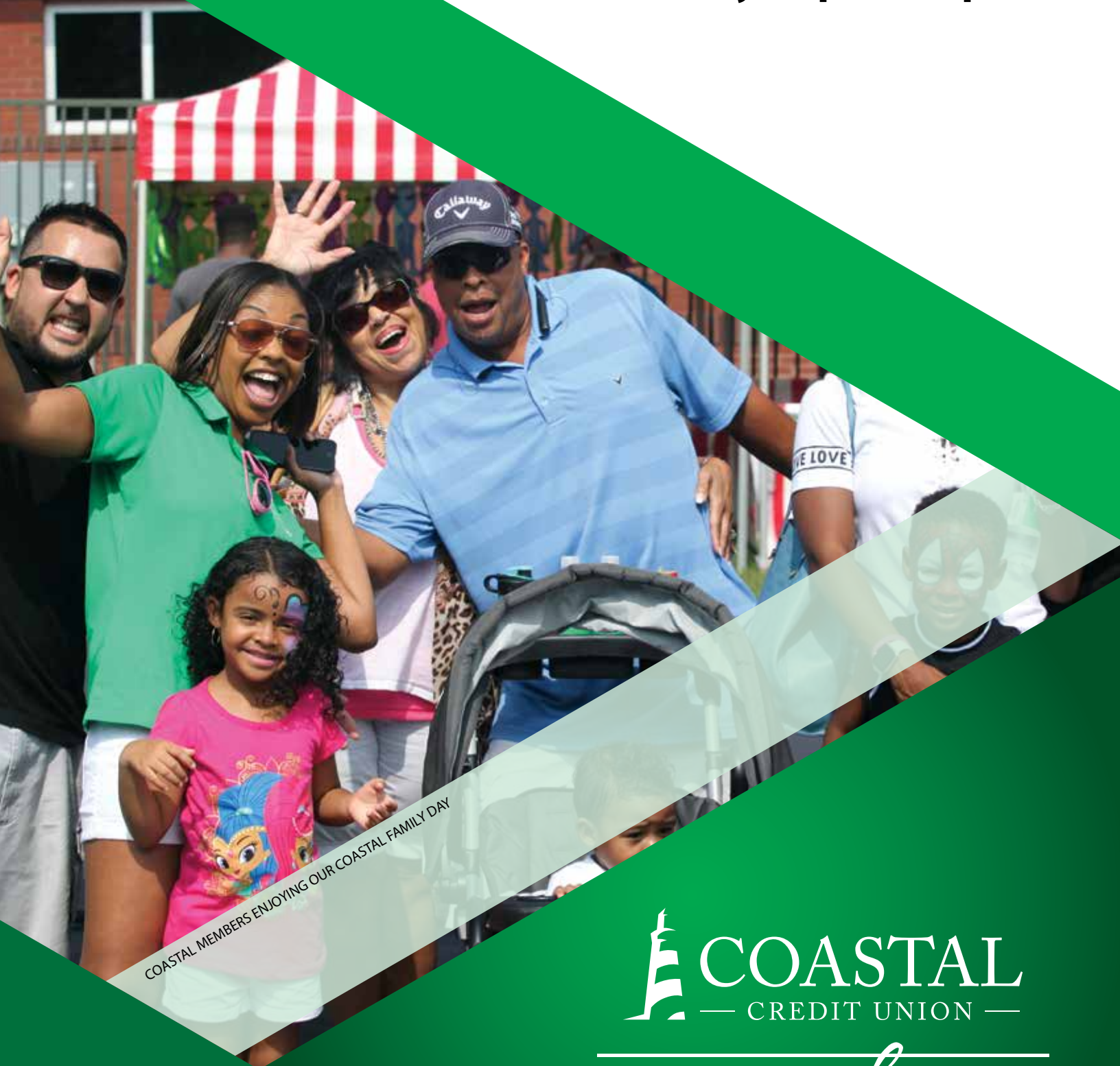


COASTAL CREDIT UNION

2017 Member & Community Impact Report



COASTAL MEMBERS ENJOYING OUR COASTAL FAMILY DAY

 **COASTAL**
— CREDIT UNION —

we share.

Dear members,

Coastal marked our 50th anniversary in 2017, and it was one of our most remarkable years on record. In celebration, we published 50 Years of Sharing, a series of videos and written narratives illustrating different ways that Coastal has touched the lives of members, employees and the community. The stories remain published on bankbetter.org.

Anniversary activities also included special offers, branch promotions, volunteer projects, and a member party at the Coastal Credit Union Music Park, which saw more than 4,000 members RSVP and featured family-friendly rides, games, food and giveaways. In the fall, we gave away \$50,000 in a contest for nonprofits.

Beyond the celebrations, we had a number of noteworthy achievements in 2017:

- We overhauled our website. The new COASTAL24.com offers a modern, easy-to-read look and includes several new features aimed at providing financial education and resources to help guide members through their own financial journey.
- Coastal and several other credit unions partnered to form Constellation Digital Partners, a credit union service organization designed to revolutionize the way credit unions develop and integrate new online services.
- We created a new outbound call team, which funded more than \$8 million in loans while helping members save \$275,000 in interest.
- Daymark Realty reached a milestone: saving members \$1 million in real estate fees since being established in 2007.
- We completed a project to upgrade our video teller system to the newest machines, improving teller service at our 22 branches.

- We launched a new YouTube video series, Coffee with Chuck, where our CEO provides updates to members about timely topics.
- In July, Chuck was invited to testify in front of the Senate Banking Committee regarding housing finance reform.
- In December, we introduced CardNav, a smartphone app that gives you greater control over your debit card, helping to fight against card fraud.
- That same month, we broke ground on a new branch in Holly Springs, set to open later this year.
- Coastal also earned numerous awards, recognizing our community impact, status as a top employer, and several individual and team achievements.

On the financial front, Coastal's adherence to sound financial practices was evident in our 2017 key metrics. Our net worth to assets ratio increased to 10.87% while member equity reached \$309 million. Return on assets was .99%. Our loan to share ratio was 98.67%. Each of these metrics surpassed our budget.

Overall, the credit union enjoyed strong growth in several key areas. We saw \$304 million in loan growth (on and off balance sheet) from \$1.1 billion in originations, and \$252 million in deposit growth (on and off balance sheet). We also saw membership increase by 11,800, or 5.1% over 2016. Additionally, Coastal earned \$28.8 million in net income, and saw total assets increase to \$2.91 billion.

Coastal currently ranks as a top 10 lender in our market in mortgage, auto and home equity lending, and is eighth in deposits. We also enjoy a 26% unaided brand awareness in our market, putting us ahead of large banks like First Citizens and PNC. Additionally, member satisfaction and employee engagement reached all-time highs.

Of course, our aim is to share in our success, and we maintained a strong focus on giving back to our members. Over the past seven years, Coastal has returned more than \$14.2 million to our members in the form of special dividends. Our current program, 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. This year, that totaled \$2.5 million, and was part of our overall \$23.5 million Member Giveback.

But that's just part of our story. We encourage you to review the following pages to learn more about:

- Our 2017 financial results
- Our newly revised mission, vision and values
- What We Share means, and the 7 Cooperative Principles that guide us
- How we gave back \$23.5 million in value to members
- Our 2017 community impact
- Grants that our foundation made in 2017
- A recap of our Power of Sharing event

Thank you for making 2017 another wonderful year for your credit union.

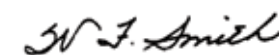
Sincerely,



Joan A. Nelson, Board Chair



Chuck Purvis, President & CEO



William F. Smith, Secretary/Treasurer

Distribution of Your 2017 Dollars

Statement of Condition

(in thousands)

Assets

Loans to Members	\$2,456,531
Allowance for Loan Losses	(\$20,375)
Cash & Investments	\$347,872
Other Assets	\$128,866
Total Assets	\$2,912,894

Liabilities and Equity

Member Share Accounts	\$2,489,594
Other Liabilities	\$114,174
Equity	\$309,126
Total Liabilities and Equity	\$2,912,894

Statement of Income and Expense

Income

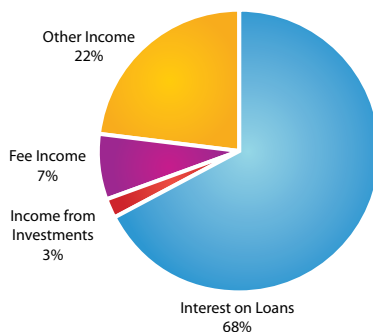
Interest on Loans	\$101,439
Income from Investments	\$4,138
Fee Income	\$10,434
Other Income	\$33,925
Total Operating Income	\$ 149,936

Expenses

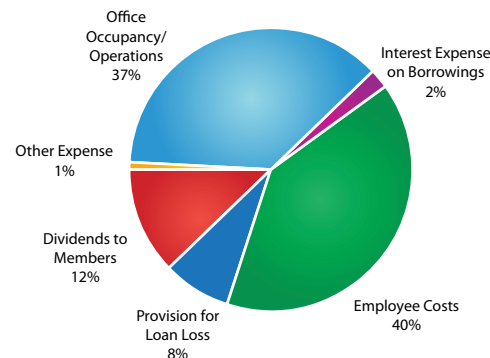
Dividends Paid to Members	\$14,070
Interest Expense on Borrowings	\$2,754
Provision for Loan Losses	\$9,249
Employee Costs	\$48,275
Office Occupancy/Operations	\$45,037
Other Expenses	\$ 1,753
Total Operating Expenses	\$ 121,138

Net Income	\$28,798
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How We Earned It



How We Spent It



(\$ in thousands)

	2014	2015	2016	2017
Members' Equity	\$ 242,456	\$ 251,498	\$ 275,823	\$ 309,126
Assets	\$ 2,423,054	\$ 2,607,049	\$ 2,823,466	\$ 2,912,446
Deposits	\$ 1,918,935	\$ 2,105,251	\$ 2,336,608	\$ 2,489,594
Loans (gross)	\$ 3,145,959	\$ 3,396,718	\$ 3,672,671	\$ 3,976,747
Members	197,301	212,260	230,216	242,047

Coastal's Board of Directors:

Coastal Credit Union is the financial home to more than 245,000 members from 1,700 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
23 years of service



Deron J. Rossi
Vice Chair
22 years of service



William F. Smith
Secretary/Treasurer
48 years of service



Dave L. Manning
13 years of service



Beverly D. Baskin
10 years of service



Jason Mudd
8 years of service



Jeff Dooley
7 years of service

OUR MISSION

Our Mission

Bank Better to Live Better

Our Vision

Most Loved and Respected Financial Partner

Our Values

Be Heroic

Be a hero to each member you serve. Listen to their story. Own their problems.
Make their dreams come true.

Be Bold

Be innovative. Be resourceful. Pursue unique ideas that set us apart from the banks and make members' lives better. Do what others said couldn't be done.

Be Accountable

Set goals and own them. Work every day to improve the experience for those around you. Don't let members fall through the cracks. Own their needs until we meet them.

Welcome Diversity

Respect everyone who walks in the door regardless of age, sex, race, income level, religion, politics, or identity. Provide the right solutions with empathy, honesty and without judgment.

Share Generously

Always remember that our members are our owners, and share back to them our time, talents, and profits. Let's share to make our communities stronger. Share it all. It's why we exist.

OUR VALUES





COASTAL MEMBER MAGGIE HUTTON ENJOYING HER FIRST HOME THANKS TO COASTAL

COASTAL EMPLOYEES AT OUR PRINCIPLES AND PHILOSOPHY WORKSHOP

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 more than two hundred thousand member stories, all with a common message.

The 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

2017 MEMBER GIVEBACK

For the past seven years, Coastal has returned more than \$14.2 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 \$23.4 million* annually. A portion of that giveback is the result of Coastal eliminating 20 member account fees at the beginning of 2017. At a time when our bank competitors are increasing fees, Coastal found a way to put more than \$600,000 a year back in our members' wallets. Of course, that doesn't begin to take into account all the fees that we didn't charge in the first place.

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 12,100 loans valued at \$306 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 nearly \$450,000 to non-profit organizations through a combination of corporate donations and grants from the Coastal Credit Union Foundation.

In 2017, Coastal celebrated our 50th Anniversary. We published *50 Years of Sharing*, a series of videos and written narratives illustrating different ways that Coastal has touched the lives of members, employees and the community. The stories were published on Coastal's microsite, bankbetter.org, and shared with members and the public via social media and email.

Anniversary activities also included special offers, branch promotions and giveaways, volunteer projects, and a member party at the Coastal Credit Union Music Park.

we share.

Ways We Save Members Money	How much we saved members in 2017*
Loan Rates	
Refinancing Mortgages	\$1,315,300
Refinancing Auto Loans	\$1,099,700
New Car Loans	\$1,585,700
Home Equity Lines of Credit	\$198,400
Mortgages	\$2,221,500
Credit Card Balance Transfers	\$650,000
Deposit Dividends	
Go Green Dividend Rate	\$2,090,000
Money Market Dividend Rate	\$2,118,500
Certificate Dividend Rate	\$1,826,500
Savings Dividend Rate	\$53,600
HSA Dividend Rate	\$184,000
Fees	
Origination Fees on Mortgages	\$922,000
Bounce Guard / NSF Fee	\$828,100
Overdraft Forgiveness Program	\$3,220,900
Overdraft Transfer Fee (eliminated in 2017)	\$1,336,300
Other Eliminated Fees	\$332,000
Incentives	
Loyalty Bonus Dividends	\$2,508,100
Daymark Realty Member Savings	\$441,100
Golden Ticket Promotion	\$330,100
Join Days	\$68,000
Credit & Debit Card Bonus Incentives	\$85,500
Fast Lane at Coastal Credit Union Music Park	\$34,200
50 Forward Contest Member Awards	\$25,000
Total Member Giveback	\$23,474,100

*Member Giveback is estimated by comparing the average interest and dividend rates of Coastal's loan and deposit product portfolios versus average local bank rates for similar products from external sources like bankrate.com and S&P Global. We also compared Coastal's fees to the advertised fees of Bank of America, Wells Fargo, PNC, BB&T, First Citizens and Suntrust. Additionally, we quantify the actual cash value of product incentives that Coastal offers to members.





COASTAL GIVING TO THE MIX 101.5 FM CHRISTMAS CHOIR COMPETITION



COASTAL EMPLOYEES COLLECTING TOYS FOR THE WRAL TOY DRIVE FOR BOYS & GIRLS CLUBS



COASTAL EMPLOYEES READING TO KIDS ON NATIONAL BOOKLOVER'S DAY

2017 Community Impact

Charitable Contributions

In addition to \$299,500 in foundation grants we made in the community, Coastal supported local nonprofits with \$125,000 in corporate contributions.

Hurricane Relief

In September, Coastal's board of directors approved \$300,000 in donations to hurricane relief efforts led by the National Credit Union Foundation and the World Council of Credit Unions. Both donations helped credit unions and employees in the affected areas.

50 Forward

We capped our 50th Anniversary celebration with a contest that asked members to nominate their favorite nonprofit to win a donation from Coastal. We gave away \$50,000 in combined donations to local nonprofits and prizes to those who nominated them.

Habitat for Humanity

Since May 2016, Coastal has partnered with Habitat for Humanity of Wake County to fund new, low-cost mortgage loans for Habitat families. Through the end of 2017, we have funded 43 Habitat loans totaling \$3.7 million.

Financial Education

Coastal employees gave 205 financial education sessions to schools, nonprofit organizations and affiliated employer groups, reaching more than 5,800 attendees.

Community Events

Our community engagement team participated in nearly 3,300 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.

Free Seminars

Coastal Wealth Management conducted 31 educational seminars, attracting nearly 900 attendees. Similarly, our Daymark Realty held 15 first time homebuyer 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.

Employee Contributions

Coastal employees generously pledged more than \$110,000 through our annual United Way workplace giving campaign. Overall, 48% of employees self-reported community involvement, totaling \$235,000 in donations and more than 2,400 volunteer hours.



— COASTAL CREDIT UNION — FOUNDATION

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 in 2017:

Helping the financially vulnerable
Increasing financial literacy
Alleviating food insecurity

In 2017, the Coastal Credit Union Foundation provided more than \$299,000 in grants to non-profit organizations throughout our community and has made more than \$894,000 in grants since 2011.



Our \$46,500 grant enabled Ramsey Solutions' Foundations in Personal Finance curriculum to be taught in all Wake County high schools and four middle schools.



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 \$300,000 a year that can be used to help our community.

2017 Grant Recipients:

- Alliance Medical Ministry
- Carolinas Credit Union Foundation
- Evolve Mentoring
- Farmer Foodshare
- Kidznotes
- Kramden Institute
- Me Fine Foundation
- NC Council on Economic Education
- Note in the Pocket
- Passage Home
- PLM Families Together
- PTA Thrift Shop
- Ramsey Solutions
- StepUp Ministry
- TABLE Ministries
- Youth Education for Savings

THE POWER OF SHARING

Our foundation's year was highlighted by our second annual The Power of Sharing event. On May 18, more than 250 attendees joined the foundation and several of our business partners to showcase the work of thirteen non-profit organizations and awarded a combined \$819,500 in grants.

Additionally, each organization recognized with a Power of Sharing award received an IBM Impact Grant, allowing for their leadership to attend IBM's Web Presence and Social Media Strategy and Planning Session, valued at a combined \$32,000.

To conclude the awards, Winkie La Force, the retired president of Leadership Triangle was honored with a Lifetime Achievement Award.

Before the night was over, Capitol Broadcasting Company and the Durham Bulls announced a \$400,000 matching grant to build a Durham facility for The Miracle League of the Triangle.

Power of Sharing Recipients		
Business Partner Awards	Award	Sponsor
Boys and Girls Clubs of Durham and Orange Counties	\$25,000	Duke Energy
Contemporary Art Museum (CAM) Raleigh	\$25,000	Citrix
Interfaith Food Shuttle	\$77,500	Blue Cross NC
NAF	\$50,000	Lenovo
NC Science Olympiad	\$50,000	BASF
Shaw University Scholars Program	\$25,000	AT&T
Collaborative Award for Projects That Inspire Education		
Latino Educational Achievement Partnership	\$20,000	–
Uniting NC: Code the Dream Program	\$5,000	–
Collaborative Award for Projects That Help the Financially Vulnerable		
Me Fine Foundation, Inc.	\$20,000	–
Note in the Pocket	\$5,000	–
The Coastal Award for Projects That Help Alleviate Food Insecurity		
Alliance Medical Ministry and Passage Home, Inc.	\$65,000	Coastal
Farmer Foodshare	\$10,000	Coastal

THE
POWER
OF

Sharing



\$50,000

Power of Sharing





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

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