



2006

CoastHillsTM
FEDERAL CREDIT UNION
Bank among friends



Chairman's Report: New Milestones, New Partnerships

With a focus on service, convenience, and becoming the preferred financial institution throughout the Central Coast, CoastHills achieved impressive milestones in 2006.

We began the year by opening our 10th branch at the Crossroads Center in Santa Maria. A few months later, five-year-old Ethan Hundley opened a savings account at our Vandenberg Air Force Base branch, becoming the Credit Union's 50,000th member. To mark this milestone, we awarded young Mr. Hundley with a \$500 gift cheque and also donated \$500 to Ethan's chosen charity – the Tri-County Make-a-Wish Foundation. Shortly thereafter, we crested \$500 million in assets for the first time in our history.

CoastHills introduced a full line of business products and services for 2006. This enables the hard working business owners and operators throughout our communities to experience "The Credit Union Difference" in their professional and personal lives. Our involvement in our communities didn't end with just financial products and services. Our staff and volunteers sorted food at the local Foodbank

and delivered food for the Meals on Wheels program. We set a record with more than 3,200 hours of volunteer service in our communities.

This annual report contains our fiscal year-end financial statement. However, our financial picture was significantly different at the end of the calendar year. This difference is attributed to the merger with Atascadero Federal Credit Union on November 1. The joining of these two credit unions, both of which have been putting members first for more than 45 years, enabled us to enter 2007 with more than 62,000 members, \$578 million in assets, and 12 branches stretching from Lompoc to Paso Robles.

It is an honor and a pleasure to serve as your Chairman. I'd like to give special thanks to the Volunteers for their time and insight throughout 2006. And, to the 62,000 members who have put your trust in us, we thank you for choosing CoastHills.

*Dr. Robert McIntire, Chairman,
Board of Directors*

President's Report: Convenience, Efficiency, Relationship Building

We enter 2007 as a truly regional credit union and the largest not-for-profit financial cooperative on the Central Coast. Our mission is to provide you with the service, convenience, and innovative products that will expand and solidify our financial relationship.

Our branch system will continue to grow in 2007 with our new Five Cities branch, scheduled to open in the second quarter. This branch will feature the latest in member service technology and will be a look into our future service model. We will also provide our North County members the convenience of a newly relocated branch in Paso Robles, which will include ATM and drive-up service.

Our commitment to business owners and operators will continue to grow as we expand our products and services. With business services expertise, solutions will be developed quickly and efficiently throughout our field of membership.

We'll enhance our product lines by designing more attractive credit cards, adding value to our free checking, and offering innovative consumer and mortgage loans for today's marketplace. Plus, we'll provide you with all of the latest information on security and fraud through our website and free member seminars. Here on the beautiful Central Coast, we are in the midst of a changing financial environment. What defines local support and community partnership is not what it used to be. While other financial institutions become less regionalized, we are choosing the opposite path.

Our commitment to the communities we serve and to you, our 62,000 members, is simple: To make a difference in our neighbors' lives. Thank you to our volunteers, staff and members who are making a difference every day. We hope you trust CoastHills with every aspect of your financial life.

Jeff York, President/CEO

Treasurer's Report

The 2006 audit results of McGladrey & Pullen LLP and the National Credit Union Administration indicated that CoastHills was well capitalized and is maintaining a strong growth rate. We ended our fiscal year on September 30, 2006, with \$520 million in assets. This represents a 10.37% growth rate from the previous year. Our \$400 million in loans showed an increase of \$29 million, a 7.69% growth rate. Our net worth ratio, a key measure of financial security, is 10.31% and is higher than the average of similar sized credit unions in California. As in the past, CoastHills maintained a strong and safe foundation for growth, which will enable us to grow and serve our communities in the future.

As a shareholder and member-owner of CoastHills, you should feel extremely proud of your financial institution. CoastHills has the resources to offer you unmatched products and services.

*Arthur "Chuck" Scheithauer, Treasurer,
Board of Directors*

Supervisory Committee Report

The CoastHills Supervisory Committee consists of five Credit Union members who volunteer their time and services to help make your Credit Union a safe and viable place to manage your financial affairs. The Committee has two primary responsibilities:

- 1) Ensure that management's financial reporting objectives have been met.
- 2) Ensure management practices and procedures safeguard members' assets.

To remain abreast of the Credit Union's activities, all committee members attend monthly Board meetings, annual strategic planning sessions, seminars, and monthly meetings with the President/CEO. On behalf of your Supervisory Committee, I am pleased to report that all audits confirm the safety and soundness of the Credit Union's financial position.

*Darrell Gabel, Chairman,
Supervisory Committee*

Consolidated Financial Statements

ASSETS

Loans to Members	\$ 400,153,253
Cash & Cash Equivalents	51,734,359
Investments	46,574,891
Property & Equipment	11,899,052
Accrued Interest Receivable	2,109,631
Share Insurance Deposits	4,282,492
Other Assets	2,875,948
Total Assets	\$ 519,629,626

LIABILITIES

Accts Payable & Other Liabilities	\$ 6,217,209
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MEMBERS' EQUITY

Members' Shares	459,863,007
Retained Earnings	53,549,410
Total Liabilities & Equity	\$ 519,629,626

INCOME

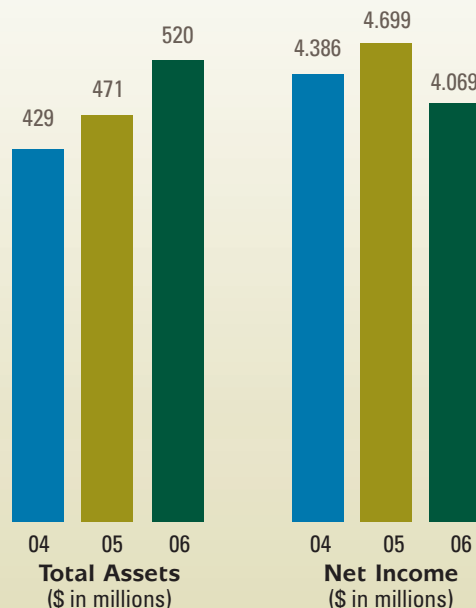
Interest on Loans to Members	\$ 24,715,453
Investment Income	3,310,112
Other Income	6,774,660
Total Income	34,800,225

EXPENSES

Salaries & Benefits	\$ 9,178,147
Operations	7,169,639
Occupancy	1,731,706
Dividends on Members' Shares	10,025,876
Interest on Borrowed Funds	2,022
Provision for Loan Losses	2,623,717
Total Expenses	\$ 30,731,107

NET INCOME

NET INCOME	\$ 4,069,118
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Financial statements as of September 30, 2006.

2006



Board of Directors

Top Row: Chuck Scheithauer, H. Wayne LaPrade, Robert McIntire, A.R. "Pete" Reed, Ted Eckert, Roy Stovall
Bottom Row: Hugh Rafferty, Shirleen Sladek, Wray Stitch, Georgia Kizziah, Rick Velasco

Board of Directors

Robert McIntire, Chairman
Ted Eckert, 1st Vice Chair
Georgia Kizziah, 2nd Vice Chair
Chuck Scheithauer, Treasurer
Hugh Rafferty, Secretary
H. Wayne LaPrade, Director
A.R. "Pete" Reed, Director
Shirleen Sladek, Director
Wray Stitch, Director
Roy Stovall, Director
Rick Velasco, Director

Leadership Team

Jeff York, President/CEO
Marty Chatham, EVP, Chief Financial Officer
Dal Widick, EVP, Chief Operations Officer
Bruce Altheide, VP Wealth Management
Scott Coe, VP Marketing
Barbara Garcia, VP Lending
Robert Goebel, VP Business Services
Linda Jarrett, VP Branch Operations - Santa Barbara Co.
Diane Lawrence, VP Human Resources
Dave Upham, VP Branch Operations - San Luis Obispo Co.
Linda Van Dyke, Executive Assistant



Leadership Team

Top Row: Dal Widick, Bruce Altheide, Scott Coe, Jeff York, Marty Chatham, Robert Goebel, Dave Upham
Bottom Row: Linda Van Dyke, Linda Jarrett, Barbara Garcia, Diane Lawrence

Supervisory Committee

Darrell Gabel, Chair
Pat Osbourne, Secretary
Bill Anders, Member
Pete Moeller, Member
Pat Nuth, Member

Branches

800-262-4488 • bankamongfriends.com

Paso Robles

803 Spring Street

Santa Maria

1203 South Broadway

Atascadero

8900 Pueblo Avenue

Crossroads

2364 S. Bradley, Suite F1

San Luis Obispo

1106 Walnut Street

Orcutt

1157 E. Clark Avenue

Arroyo Grande

1360 E. Grand Avenue

Vandenberg Air Force Base

Building #10375

Nipomo

532 W. Tefft Street

Vandenberg Village

3880 Constellation Road

North Santa Maria

1848 North Broadway

Lompoc

1320 North H Street