

Celebrating 50 Years of Vision | 2007 Annual Report



In the beginning

The year was 1958. It was a time of hope and dreams, of imagination and excitement. America was opening itself up to new ideas and heightened expectations. Almost anything seemed possible.

And in the midst of this optimistic period, a credit union was born. Formed by employees at the newly christened Vandenberg Air Force Base, the credit union was poised to launch, much like the rockets these visionaries themselves created and operated.

Slowly at first, this credit union began a fateful journey, which has led it to become the largest and most successful not-for-profit financial cooperative on California's Central Coast.

But in 1958, this credit union's journey had just begun. Now entering its 50th year of operation, CoastHills Federal Credit Union is just as poised for growth and success as it was five decades ago.

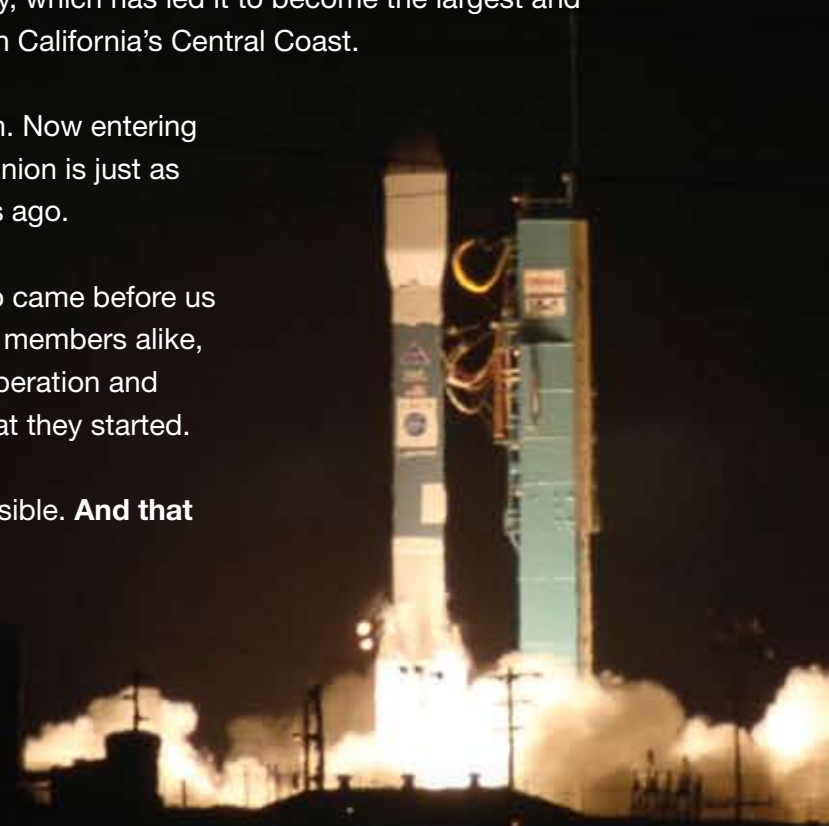
We dedicate this 2007 Annual Report to all those who came before us and upon whose shoulders we stand. Volunteers and members alike, all were brought together by a common vision of cooperation and service. We are committed to continue the journey that they started.

Like them, we too believe that almost anything is possible. **And that the future starts now.**



In 1958, Cooke Air Force base is renamed in honor of General Hoyt S. Vandenberg, an early advocate of space and missile operations.

December 16, 1958, Vandenberg AFB launches the first Thor ballistic missile.



Chairman's Report

2007 — A Year of Growth and Expansion

As you can see in our financial summary, CoastHills Federal Credit Union showed solid growth in fiscal year 2007. This is especially significant considering the mortgage meltdown, economic slump, and consumer uncertainty.

Our new Five Cities branch was opened in May, and features the latest in member service technology and security. If you haven't visited this beautiful branch yet, I strongly recommend that you stop in and experience this unique branch for yourself.

In August, we completed the relocation of our Paso Robles branch. This new, member-friendly branch at 1402 Spring Street offers our Paso members an upgrade in convenience, with a drive up teller, ample parking, and 24-hour ATM service.

Our commitment to the communities we serve continued to grow creatively in 2007. In September, more than 20 of our staff and family members combined forces with the United We Paint Organization to complete a House Mini-Makeover for a Foster Care family in Atascadero. This was our way of saying thank you to them for their commitment to their community.

Also in September, our CoastHills Community Foundation staged its "Rancho Vino" wine tasting and auction, an event that not only was truly enjoyable for all in attendance, but also raised \$25,000 for local food banks.

On a personal note, I was extremely honored to be presented with the California Credit Union League's Outstanding Volunteer Award at their annual meeting in October. It is truly a highlight of my twelve years of serving on your Board of Directors, and I was very proud to be recognized publicly on behalf of all of our volunteers and their tremendous commitment to your Credit Union.

It is an honor and a pleasure to serve as your Chairman. To the 64,000 members who have put your trust in us, we thank you for choosing CoastHills.

Dr. Robert McIntire, Chairman, Board of Directors



President's Report

2007 — Healthier than ever at 50.



As we enter our 50th year of building relationships here on the central coast, we certainly have great pride in our accomplishments. The challenges facing our industry have never been bolder. Today, we will continue to assist you in building dreams through our financial products and services.

In 2008, your Credit Union will broaden its commitment to match the demands of our marketplace. Our staff will volunteer their time and expertise in high schools throughout Santa Barbara and San Luis Obispo counties, conducting Financial Planning classes for the future leaders of our communities.

In the Santa Maria Valley, we will make the financial experience for our Spanish speaking members easier and more efficient with our bilingual, “Cuenta Con Nosotros” program.

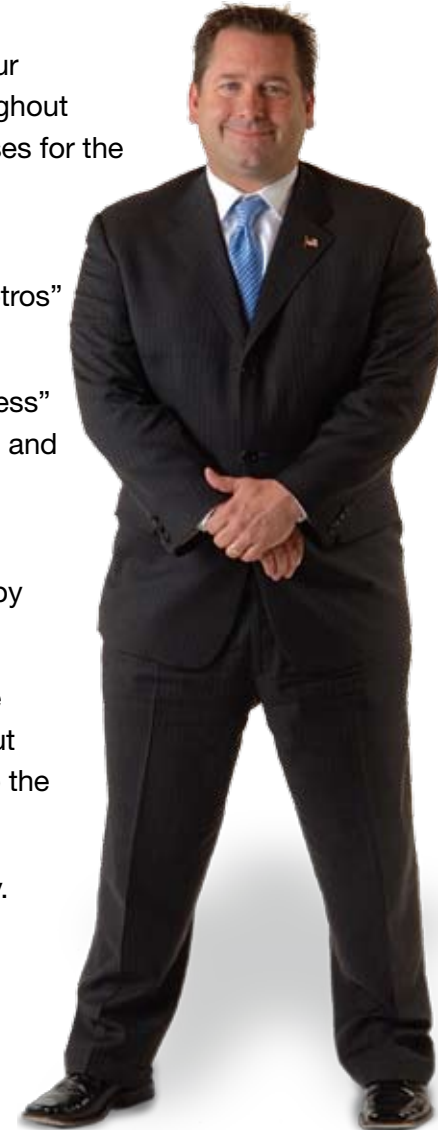
To the hundreds of business owners and operators who have brought their “business” to us since last year, we are offering in-branch “business of the week” showcases, and hosting business to business mixers.

Many financial institutions claim “it’s all about relationships.” We back it up with rewards. Our new “SuperReady Checking” account rewards your relationship with us by paying high interest on your account balance, and by refunding ATM surcharges.

We have upgraded the look and feel of our branches to give you a consistent, cohesive look. And, we are steadfast in our commitment to providing not just friendly service, but also to identify your needs and offer solutions during every transaction. That speaks to the core of our service promise.

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



In 1958, Whamo introduces the Hoola Hoop and sells 25,000 in two months.



Treasurer's Report

The 2007 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, 2007, with \$582 million in assets. This represents a 12.07% growth rate from the previous year. Our increase in loans of \$29 million represents a 14.93% growth rate. Our net worth ratio, a key measure of financial security, is 10.42% 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

Supervisory Committee

(pictured from left to right)

Darrell Gabel, Chairman

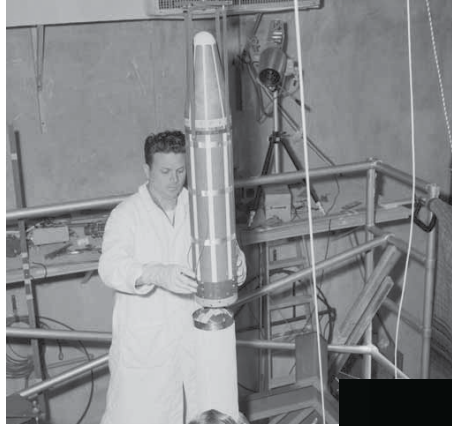
Pat Osbourne, Secretary

Pete Moeller, Member

Mike Stadnick Jr., Member

David Richardson, Member





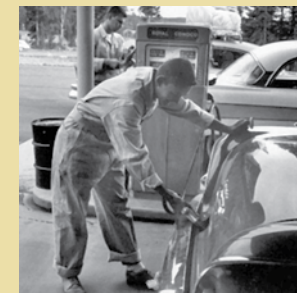
NASA begins operations.



Explorer I is launched.



Milk is \$1.01 a gallon.
Bread is 19¢ a loaf.



The price of gas
is 24¢ a gallon.

The Jolly Green Giant is a
popular commercial figure.



What was hap

Drive-in movies are at their peak, with 4,063 outdoor screens nationwide.

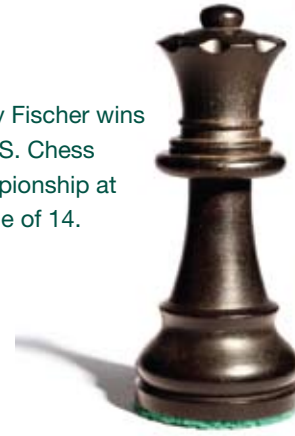


Top movies include South Pacific, Gigi, King Creole, Vertigo and Cat on a Hot Tin Roof.



The average cost of a new house is \$12,700.

Bobby Fischer wins the U.S. Chess Championship at the age of 14.



Elvis joins the Army.



The average price of a car is \$2,400.
The Chevy Impala is introduced.

pening in 1958

Consolidated Financial Statements 07



In 1958, America's favorite television programs are The Ed Sullivan Show, Candid Camera, Come Dancing, The Jack Benny Show and Alfred Hitchcock Presents.

Assets

Loans to Members	\$ 456,343,133
Cash & Cash Equivalents	41,892,133
Investments	55,712,233
Property & Equipment	16,371,878
Accrued Interest Receivable	2,461,229
Share Insurance Deposits	5,241,661
Other Assets	4,346,790

Total Assets \$ 582,369,057

Liabilities

Accounts Payable & Other Liabilities	\$ 8,575,433
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Members' Equity

Members' Shares	512,021,889
Retained Earnings	61,771,735

Total Liabilities & Equity \$ 582,369,057

INCOME

Interest on Loans to Members	\$ 29,764,013
Investment Income	4,754,397
Other Income	8,202,378

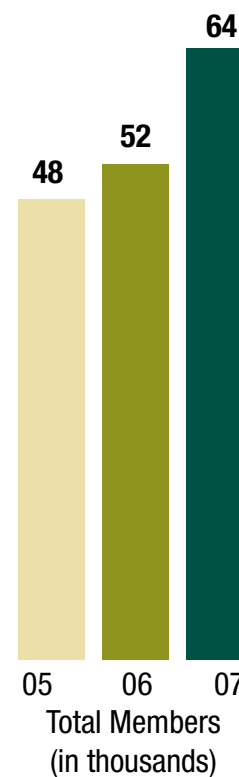
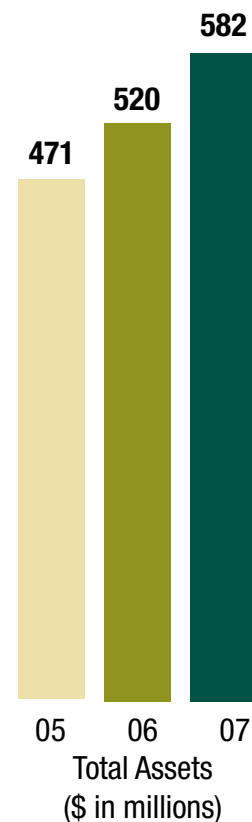
Total Income 42,720,788

Expenses

Salaries & Benefits	\$ 11,292,844
Operations	9,141,115
Occupancy	1,820,434
Dividends on Members' Shares	14,781,629
Interest on Borrowed Funds	—
Provision for Loan Losses	2,971,548

Total Expenses \$ 40,007,570

Net Income \$ 2,713,218



Financial statements as of September 30, 2007.

Leadership Team



In 1958, popular singers are Elvis Presley, Billie Holiday, Frank Sinatra, The Everly Brothers, and Jerry Lee Lewis.

Jeff York
President/CEO

Dal Widick
EVP, Chief Operations
Officer

Scott Coe
VP Marketing

Linda Jarrett
VP Branch Operations
and Support

Dave Upham
VP Branch Operations



Marty Chatham
EVP, Chief Financial
Officer

Bruce Altheide
VP Wealth Management

Robert Goebel
VP Business Services

Diane Lawrence
VP Human Resources

Linda Van Dyke
Executive Assistant

Board of

Roy Stovall
Director

Chuck Scheithauer
Treasurer

Robert McIntire
Chairman

Bill Anders
Director

Ted Eckert
1st Vice Chair

Georgia Kizziah
2nd Vice Chair



Directors

Rick Velasco
Director



Wray Stitch
Director



Shirleen Sladek
Director



Hugh Rafferty
Secretary



Pete Reed
Director



Branches

Paso Robles
1402 Spring Street

Arroyo Grande
1360 E. Grand Avenue

North Santa Maria
1848 North Broadway

Crossroads
2364 S. Bradley, Suite F1

Vandenberg Air Force Base
Building #10375

Atascadero
8900 Pueblo Avenue

Five Cities
1580 West Branch St.

Santa Maria
1203 South Broadway

Orcutt
1157 E. Clark Avenue

Vandenberg Village
3880 Constellation Road

San Luis Obispo
1106 Walnut Street

Nipomo
532 W. Tefft Street

Lompoc
1320 North H Street

