

Board of Directors



HUGH RAFFERTY
Chairman



RICK VELASCO
1st Vice Chairman



DAVE RICHARDSON
2nd Vice Chairman



CHUCK SCHEITHAUER
Treasurer



BILL ANDERS
Secretary



BERNARD "BEE JAY" JONES
Director



ROGER WELT
Director



KRIS ANDREWS
Director

SUPERVISORY COMMITTEE REPORT

The CoastHills Supervisory Committee consists of five Credit Union members who volunteer their time to help make your Credit Union a safe and viable place for our members to manage their 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.

Several actions were taken in 2015 to meet these responsibilities. The committee employed CliftonLarsonAllen, LLP, Certified Public Accountants, to perform a financial audit covering the period of 1/1/15 through 12/31/15. They reviewed the structure of the Credit Union's internal controls and verified the accuracy of the Credit Union's records.

To remain abreast of Credit Union activities, all committee members stay consistently engaged, including attending monthly board meetings, our annual strategic planning session, education seminars, annual financial training, and monthly meetings with the CEO and other senior leadership officers.

On behalf of the Supervisory Committee, I am pleased to report to the members that all audits confirm the safety and soundness of the Credit Union's financial position.

DARRELL GABEL

Chairman, Supervisory Committee

Supervisory Committee



DARRELL GABEL
Chairman



PETE MOELLER
Member



LARRY GOOCH
Member



KATE GRIFFITH
Member



A Year in *motion.*



Annual Report *2015*

CoastHills
Another great day.

CHAIRMAN'S AND PRESIDENT'S REPORT

A Year in Motion



As a member-owned Credit Union committed to making a difference in our neighbors' lives, we have both the vision and the passion to constantly evolve. What directs us is a commitment to our brand, centering on the values of vibrant, genuine, open and dedicated. We see each day as an opportunity to

serve our communities and to match the ever changing needs of all the people and businesses we serve. Yes, that means making affordable loans to members and helping people save money, but it's more than that. You constantly see our staff and our volunteers out in the community, sleeves rolled up, getting things done. Lending our time, effort and financial support to the Central Coast is what we do.

And we love it.

Much of 2015 was spent providing services, products and processes that create solutions and convenience for our members. Not only did we experience a great year of positive growth, we introduced new services such as Super Checking and EMV credit and debit cards that kept pace with the new financial landscape. Plus, we were leaders in protecting our members from the challenges of fraud and ID theft with products, services and communication that delivers peace of mind.

We also launched a program we call "Relationship Pricing," which rewards members who have entrusted CoastHills with their financial relationship. If you're all in, you're rewarded. It's that simple. Those who reach the highest level of this program are termed "Awesome" members. And that is exactly the word to describe the long list of benefits, which includes waiving of fees, discounts on loans and a boost in certificate rates.

For our members who prefer the convenience and flexibility of banking from their smart phone, we updated our mobile banking app to provide a much more robust experience. The remote deposit feature allows members to simply take a picture of your check and, with one click, your deposit is completed, quickly and securely.

Through the efforts of the CoastHills Community Foundation, we achieved another successful year of community outreach, including a new twist to our Rancho Vino fundraiser. This year's event partnered with Presqu'ile Winery to showcase our own "Generous Harvest" label Pinot Noir in an afternoon of wine tasting from Presqu'ile's elegant Santa Maria vista. The event resulted in the Foundation raising \$55,000 for the Allan Hancock College Agribusiness Program.

Our Gold Standard Scholarship Program awarded more than \$25,000 in scholarships for graduating high school seniors throughout the counties of Santa Barbara and San Luis Obispo. As we expand our service to the five counties we now serve, our scholarship program will also expand to reward community college students from Thousand Oaks to Santa Cruz in 2016.

Our financial strength rose once again in 2015. Our highly competitive lending solutions and exceptionally efficient processing systems allowed us to achieve an 8.7 percent growth in loans. We grew in all of our key lending channels, including auto, home mortgage, credit cards and business loans.

We achieved asset growth of 15.8 percent, finishing the year with more than \$914 million in total assets. We are realizing the growth potential that surrounds us in our five-county footprint, but we know that this is just the beginning.

In 2016, we will open our first branch in Ventura County, specifically in Thousand Oaks. Since expanding our charter, we have been experiencing rapid growth in auto lending not only in Ventura County but in all of the new counties we serve. But this step of having a physical branch outside of our traditional service area is exciting and will give many new members a necessary tool to grow into Awesome members.

Our strategic direction in 2016 and beyond is to build on the relationships we have established locally and expand those throughout the entire Central Coast. We are deeply committed to guiding our members, both existing and new, to achieve their financial goals and to helping the communities we serve to grow and prosper. We will deliver high-touch and responsive service for those of you who have been with us for decades as well as those who are just becoming part of our financial family through their first loan.

We will target the type of business and member relationships that truly are relationship driven, members who rely on us for the financial expertise we can provide and who will provide us with their trust and "all-in" commitment. We must earn that commitment, especially as we expand into areas where our awareness and reputation has yet to be established. As we set this foundation for the future, you can rest assured that you will have everything you need to strengthen your relationship with CoastHills today and tomorrow, when and how you prefer.

On behalf of our dedicated staff and volunteers, it is an honor and a privilege to provide leadership for your Credit Union.



HUGH RAFFERTY
Chairman,
Board of Directors



JEFF YORK
President/CEO

TREASURER'S REPORT

The 2015 financial statements accompanying this annual report reflect the period of January 1, 2015 through December 31, 2015. Your Credit Union finished the year with a positive net income of more than \$ 9.2 million, which is an increase in net income of 17.7 percent from 2014. We ended at \$914 million in assets, an annual increase of \$125 million, or 15.8 percent.

We also saw an increase in loans to members of more than \$62.5 million, which represents our strong commitment to lending money throughout our field of membership. Our net worth ratio, a key measure of financial security, was at 8.80 percent, which indicates that we are well capitalized as we move into 2016.

The 2015 audit results from CliftonLarsonAllen LLP, Certified Public Accountants and the examination by the National Credit Union Administration (NCUA), our Federal regulator, found that we are operating as a safe and sound Credit Union. As a state chartered Credit Union, we were also examined by the State of California's Department of Business Oversight (DBO). The results of their examinations indicated that we are operating as a safe and sound Credit Union. As a state chartered Credit Union, our member deposits are still insured up to \$250,000 per member by the NCUA. Additionally, there is another \$250,000 insurance on specific accounts.

Our significant loan growth was achieved through diversified lending, including home mortgages, credit cards, auto loans, and business loans. We can attribute our across-the-board lending strength to efficient systems, underwriting expertise, competitive rates, and the willingness to find lending solutions. We continue to make a strong impact in the new counties we serve with aggressive growth in auto lending.

Our significant growth in assets was achieved through outstanding deposit product options, including our extremely competitive certificate rates, as well as our high dividend earning Super Checking account.

As a shareholder and member-owner of CoastHills, you can feel confident and secure about your Credit Union's future viability and ability to make a difference in our neighbors' lives along the entire Central Coast.

I wish to thank all of the CoastHills employees and volunteers for their outstanding achievements in 2015, and for the outstanding service we continue to provide our members throughout all of the communities we serve.

ARTHUR "CHUCK" SCHEITHAUER

Treasurer, Board of Directors.

Condensed Financial Statements (Audited)

ASSETS	2014	2015
Loans to Members, Net	\$ 718,046,731	\$ 780,556,169
Cash & Cash Equivalents	16,590,921	53,839,020
Investments	25,756,243	43,704,060
Property & Equipment, Net	13,672,421	14,314,391
Accrued Interest Receivable	2,226,603	2,156,429
Share Insurance Deposits	6,244,096	6,855,668
Other Assets	7,001,828	12,923,850
Total Assets	\$ 789,538,843	\$ 914,349,587

LIABILITIES & MEMBERS' EQUITY

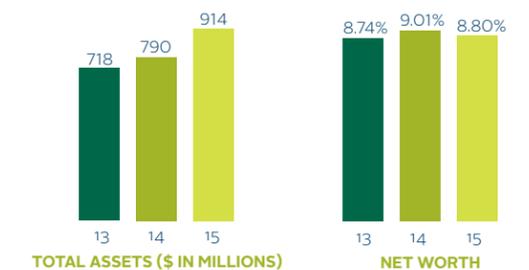
Accounts Payable & Other Liabilities	\$ 75,210,017	\$ 93,507,277
Members' Shares and Savings	643,215,490	740,383,650
Retained Earnings & Reserve	71,113,336	80,458,660
Total Liabilities & Equity	\$ 789,538,843	\$ 914,349,587

INCOME

Interest on Loans to Members	\$ 30,236,989	\$ 33,784,141
Investment Income	859,812	840,563
Other Income	11,623,687	14,161,072
Total Income	42,720,488	48,785,776

EXPENSES

Dividends on Members' Shares & Savings	3,045,056	3,632,895
Salaries & Benefits	14,867,397	15,988,669
Operations	11,935,949	13,188,526
Occupancy	2,105,902	2,241,762
Interest on Borrowed Funds	946,469	1,505,430
Provision for Loan Losses	1,953,139	2,970,541
Total Expenses	34,853,912	39,527,823
Net Income	\$ 7,866,576	\$ 9,257,953



Financial statements as of December 31, 2015