



**BANKING THE
CENTRAL COAST WAY**

CoastHills
CREDIT UNION

CHAIRMAN'S AND PRESIDENT'S REPORT

We are grateful and honored to report that 2023 was another successful year for CoastHills Credit Union. While the industry as a whole saw its share of struggles, we continue to thrive thanks to our deep roots on the Central Coast, and the incredible people that make up CoastHills. From our more than 300 employees, our volunteer Board of Directors and Supervisory Committee, and more than 76,000 member-owners, the people of CoastHills are what make us truly special.

We are committed to providing exceptional member service at every touchpoint, and put our members' needs first with every business decision. In 2023, we were proud to enhance both branches and services to better serve you, our member-owners. The CoastHills website, which serves more 400,000 users each year, saw a full redesign to make it more user-friendly and to provide vital resources to help make money management and financial decisions easier than ever.

Our Lompoc branch, which has served as a cornerstone for the Lompoc community since it opened in 1987, underwent a complete remodel and reopened in November. Construction at our Atascadero branch also began in 2023, with completion scheduled for Fall of 2024. During construction, member service remains a top priority, and communities are served by CoastHills Member Services Officers at temporary branch locations.

In November of 2023, CoastHills member-owners voted to approve the Board of Directors' recommendation to convert from a state-chartered Credit Union to a federally-chartered Credit Union, opening membership beyond our previously approved five counties. Through expanded

membership eligibility, economies of scale will reduce costs and allow CoastHills to give more back to our member-owners.

For many, 2023 was a time of great financial need, and CoastHills was honored to support over 7,000 members with a consumer loan, for a total of more than \$143 million dollars. We also provided 313 homeowners with a real estate loan through our first and second mortgage lending options. Rewarding our members with leading dividend rates is always a top priority for CoastHills, and in 2023 we offered generous returns on several promotional certificates, our Money Market product, and on our consumer and business checking products.

With a genuine desire to make a meaningful impact on the Central Coast, we donated more than \$460,000 to 247 local non-profit organizations that work tirelessly to make our community such a special place. And we continued our certification as one of the only Community Development Financial Institutions on the Central Coast, a designation allowing us to provide additional critical support to low-to-moderate income households in our community.

Providing meaningful products and exceptional service is what *Banking the Central Coast Way* is all about, but it's only possible because of our member-owners. We are grateful for the trust you have placed in us. We value your membership at CoastHills, and we look forward to serving you for many years to come.



TREASURER'S REPORT

The 2023 financial statements accompanying this annual report reflect the period of January 1, 2023 through December 31, 2023. Your Credit Union finished the year with a positive net income of more than \$4.1 million. We ended at \$1.78 billion in assets, a decrease of \$45.2 million or 2.5 percent compared to December 31, 2022.

Our regulatory net worth ratio, a key measure of financial security, was at 7.74 percent, which indicates that we are well capitalized as we move into 2024.

Our 2023 financial statements were audited by an independent accounting firm and were accepted as proposed with no adjustments. The results of our examination by our federal regulator, the National Credit Union Administration (NCUA), were shared with the State of California's Department of Financial Protection and Innovation (DFPI), and indicated that we are operating as a safe and sound Credit Union. As a federally insured Credit Union, our member deposits are still insured up to \$250,000 per member by the NCUA.

We strategically slowed loan growth in 2023 in response to the economic conditions, but continued to focus on diversified lending, comprised of 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.

Our balance sheet remains strong through our ability to offer outstanding deposit product options, including our competitive certificate rates, and our interest-bearing checking account options that are second to none in our industry.

We continue to support the local businesses in our communities with our dividend-bearing business checking accounts, and also have 280 business loans for a total of \$186.5 million in outstanding balances, and 16 commercial loans with outstanding balances of \$53.6 million, to non-member businesses in participation with other credit unions.

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

I wish to thank all of the CoastHills Credit Union employees and volunteers for their outstanding achievements in 2023, and for the excellent service we continue to provide our more than 76,000 members.

CONDENSED FINANCIAL STATEMENTS

| ASSETS | 2023 | 2022 |
|-----------------------------|----------------|--------------|
| | (in thousands) | |
| Loans to Members Net | \$ 1,266,815 | \$ 1,367,497 |
| Cash & Cash Equivalents | 124,688 | 49,503 |
| Investments | 272,724 | 305,247 |
| Property & Equipment Net | 43,213 | 44,129 |
| Accrued Interest Receivable | 5,085 | 4,932 |
| Share Insurance Deposits | 13,691 | 13,446 |
| Other Assets | 57,289 | 43,953 |
| Total Assets | \$ 1,783,505 | \$ 1,828,707 |

LIABILITIES & MEMBERS' EQUITY

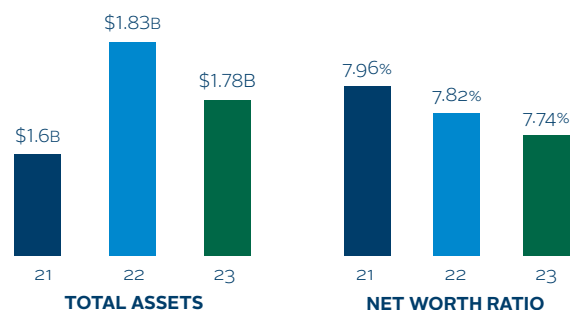
| | | |
|-----------------------------|--------------|--------------|
| Other Liabilities | \$ 236,152 | \$ 232,193 |
| Members' Shares and Savings | 1,416,300 | 1,468,727 |
| Members' Equity | 131,053 | 127,787 |
| Total Liabilities & Equity | \$ 1,783,505 | \$ 1,828,707 |

INCOME

| | | |
|------------------------------|-----------|-----------|
| Interest on Loans to Members | \$ 67,573 | \$ 55,297 |
| Investment Income | 7,561 | 5,085 |
| Other Income | 21,780 | 17,342 |
| Total Income | \$ 96,914 | \$ 77,724 |

EXPENSES

| | | |
|--|-----------|-----------|
| Dividends on Members' Shares & Savings | 15,560 | 6,232 |
| Salaries & Benefits | 31,300 | 33,336 |
| Operations | 21,576 | 18,690 |
| Occupancy | 5,326 | 4,517 |
| Interest on Borrowed Funds | 8,149 | 2,650 |
| Provision for Loan Losses | 10,938 | 5,459 |
| Total Expenses | \$ 92,849 | \$ 70,884 |
| Net Income | \$ 4,065 | \$ 6,840 |



Financial statements as of December 31, 2023



2023 BOARD OF DIRECTORS



KRIS ANDREWS
Chairman



HOMERO CONTRERAS
Vice Chair



BEEJAY JONES
Secretary



JEREMY MORENO
Treasurer



BILL ANDERS
Director



R. BRUCE COGGIN
Director



EARL MURRAY
Director



JEANNE PIPER
Director



CHUCK SCHEITHAUER
Director



HUGH RAFFERTY
Lifetime Board Emeritus

2023 SUPERVISORY COMMITTEE



COLLEEN SCOTT
Chairman



ALLISON SMITH
Secretary



PAUL KLOCK
Member



SERGEI SANDERS
Member



CHUCK WINKLES
Member



DARRELL GABEL
Lifetime Supervisory
Emeritus



PETE MOELLER
Lifetime Supervisory
Emeritus

SUPERVISORY COMMITTEE CHAIRMAN'S REPORT

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

We focus on these two primary responsibilities:

- 1) To ensure that management meets its financial reporting objectives.
- 2) To ensure that management and the board's practices and procedures comply with state and national regulations, thereby safeguarding your assets.

In order to meet these responsibilities, your Supervisory Committee engaged an independent audit firm that performed an audit covering the period of January 1 and December 31, 2023. This included a review structure of your Credit Union's internal

controls and verified the accuracy of your Credit Union's records. The committee also employed an audit firm to cover quarterly compliance audits and to provide outsourced internal audit functions.

As a way of staying abreast of Credit Union activities, the Supervisory Committee members attend monthly board meetings, and participate in your Credit Union's annual strategic planning session.

We attend education seminars, annual financial training, and conduct monthly meetings with the CEO and other senior executive officers.

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

Thank you for the honor and privilege of serving the more than 76,000 members that make up CoastHills Credit Union.