



Chairman's and President's Report



Dr. Karen O. Palladino
Chairman



Douglas R. Samuels
President / CEO

As we had anticipated, 2010 was a challenging year for the national and state economies, which continued to present challenges to overcome for the credit union. I am pleased to report that the credit union has responded to these challenges with courage and strength, and we have strong results to show for our efforts.

Last year's annual report spoke of the great undertaking to merge in Eastern Financial Florida Credit Union, and the reasons why we did this: to achieve economic and geographic diversification and to generate greater operating efficiency than before. In order for us to realize these benefits, we had to consolidate the member information of the two memberships, which required us to complete the largest systems consolidation ever undertaken in the history of credit unions in America.

The employees of the credit union planned, tested, trained, and rehearsed for the live conversion date of April 30, 2010, and did an exemplary job accomplishing this monumental and historic event according to plan.

Although the actual conversion of the information was completed on April 30, 2010 the myriad of member-related issues significantly impacted operations for several months.

This conversion required a very intense focus from our employees. As a result, and as we had anticipated, our service to our members diminished significantly. Beginning in September, we saw things returning to normal and our measured service standards had nearly recovered completely by December 31, 2010.

Even amidst this huge conversion, which expended over 250,000 employee hours to complete, we were able to deliver \$355.6 million in vehicle loans for our members, which was over \$91 million more than last year. What was most exciting about this is that \$153 million of this production came from our newly merged market areas.

Beginning in August, we began aggressive action to offer vehicle refinancing to our members in the South Florida markets, where credit union value had not been commonly available, and our members responded in a very positive way. We were able to refinance \$49 million in car loans that members had originated with other lenders at less attractive rates and terms. In doing so, we have saved our members hundreds of thousands of dollars on their financing. This is truly gratifying, as our sole purpose is to provide a benefit to our member-owners.

One of the challenges we continue to face is the credit stress within our economy. In order to produce the \$355.6 million in car loans, we had to process over \$1.4 billion in applications, and were only able to approve 55% of the applications we received. During these difficult economic times, we continue to look for ways to make prudent loan decisions that will protect the credit union against

undue risks while serving as many of our members as possible. We have already made adjustments to our underwriting practices in order to assure that our lending decisions reflect current realities.

These market realities continued to manifest themselves in high levels of delinquencies and loan losses. We did realize improvements in some of these trends during the latter part of the year, but these were largely due to better use of technology and improvements in the effectiveness of our recovery work rather than improvements in the economy. This continues to be difficult work, but we must do everything we can to protect the interests of the credit union. We anticipate that the economy will continue to present a challenge in this regard in 2011.

The most difficult challenges we experienced were, surprisingly, due to government and legislative intervention, and the resulting unintended consequences. In the name of consumer protection, the Federal Government implemented numerous actions and pieces of legislation that posed a challenge for all financial institutions. Actions such as the Credit Card Act and the Financial Reform Act resulted in significant reductions in income for financial institutions, including the credit union, and the consequence is that ALL consumers of financial services will be paying more for credit cards, debit cards, checking accounts, and transactions.

American consumers did not get what they were led to believe through this legislation and regulatory action taken in the name of consumer protection. Unfortunately, the impact of government involvement in transaction pricing will be the denial of services for many consumers, and an increase in the price of services for the rest of the consumers of financial services. This will continue to have significant impacts in 2011 and beyond.

Despite the many challenges encountered in 2010, I am pleased to report that by December 31, we had achieved a Net Worth Ratio of 7.03%, which is classified by the regulators as "Well Capitalized." This is a great step forward from "Adequately Capitalized," our classification at the start of 2010. We also achieved improvements in our loan production, and in our efficiency ratios.

Despite the challenges we anticipated and realized in 2010, the credit union finished strongly in 2010, and is positioned well to further this positive movement through 2011.

We are appreciative for the extraordinary efforts of our employees in achieving what was accomplished in 2010. We also express our deepest appreciation for the patience and assistance of all of our members as we worked through the conversion during the first half of the year. Our commitment to you now is that we will apply all of our energy and focus on providing you with the attentive, accurate, and friendly service that you, as member-owners, deserve.

Dr. Karen O. Palladino
Chairman

Douglas R. Samuels
President / CEO

Credit Manager's Report

In 2010, despite the challenges of the current economy, Space Coast Credit Union made every attempt to stay true to our commitment to improving our members' lives by providing convenient, well-priced, and reputable loan products.

We originated \$355.6 million in vehicle loans in 2010, compared to \$264 million in 2009. While there were fewer vehicle sales in our market areas, members continued to take advantage of the excellent rates available from the credit union.

We continued to build strong relationships with our participating vehicle dealers during the year. In 2010, we focused on strengthening our indirect lending program in the South Florida and Tampa Bay areas. The program grew in these areas from 78 dealers in 2009 to 188 dealers in 2010. SCCU currently has 344 active dealers in the indirect lending program.

As in previous years, many of our members were also able to improve their financial situation by refinancing vehicle loans originated elsewhere with SCCU. In 2010, SCCU refinanced over \$49 million in automobile

loans compared to \$20 million in 2009. Our efficient lending processes will allow us to continue to provide our membership with fast loan decisions and competitive rates.

Space Coast Credit Union funded over \$132 million in first mortgage loans in 2010 and currently services \$1.7 billion in first mortgage loans.

Space Coast Credit Union is committed to providing competitive loan products to small- and medium-sized businesses in the communities we serve. We funded \$5.9 million in business loans for members in 2010 and introduced loan programs intended to help business owners who own and occupy their commercial property reduce expenses and improve cash flow.

In 2011, we will continue to improve our operational efficiencies so we can provide our members with convenient, fast, and low-cost loan products.

Thomas J. Farmer
Vice President, Lending

Audit Committee Report

The Audit Committee is appointed by the Board of Directors of Space Coast Credit Union (SCCU). The Audit Committee operates under the rules and regulations of the Florida Office of Financial Regulation, Division of Financial Institutions, and the National Credit Union Administration (NCUA) and is charged with the responsibility of determining that the financial condition of SCCU is accurately and fairly presented in the financial statements, and that management practices are in place to safeguard members' assets.

The primary functions of the Audit Committee are (1) to direct the Internal Audit Department, which monitors credit union operations through the development of an Audit Plan; scheduling and conducting a continuing program of internal control reviews of credit union processes and procedures, and (2) to contract for an independent, external audit of the credit union's financial statements.

The combined skills of the Certified Public Accounting firm of Clifton Gunderson LLP with that of our in-house Internal Audit staff have proven to be effective in maintaining an efficient and effective internal audit function for the credit union. The Internal Audit Department has unlimited access to all credit union personnel and operations and has developed an audit plan for the credit union, which is revised as credit union operations and controls change during the year. The Audit Plan and all updates are approved by the Audit Committee and the Board of Directors. All audits on the updated 2010 Audit Plan were successfully completed by the end of the calendar year.

The Certified Public Accounting firm of Hutto & Carver, P.A., was retained for the purpose of conducting the annual external audit of financial condition. In February 2010, Hutto & Carver's audit of the 2009 Financial Statements for SCCU rendered an "unqualified opinion," which, in layman's terms, means everything went well and no irregularities were discovered. The Audit Committee reports the results of these internal and external audits to the Board of Directors.

Based on the results of the above referenced activities and related reports, it is the opinion of the Audit Committee that the records and affairs of Space Coast Credit Union are in order. The Audit Committee would like to thank the Board of Directors, Management, and the entire staff for their support and cooperation during this past year.

Respectfully submitted by,

The Audit Committee



Dale B. Neubert, Chairman

Audit Committee Members
Fernando Dominicis
Herbert A. Fisher
William H. Paine, Sr.

Condensed Financial Information*

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION		
	As of December 31,	2010
ASSETS:		
Cash		\$25,180,951
Investments		
Available-for-sale		277,269,415
Held-to-maturity		5,902,524
Other		481,477,354
Loans held for sale		
Loans to members - net of allowance for loan losses		2,044,460,890
Accrued interest receivable		9,425,035
Prepaid and other assets		36,462,739
Property and equipment - net of accumulated depreciation		87,068,774
Other real estate owned		23,092,004
National Credit Union Share Insurance Fund deposit		27,290,440
TOTAL ASSETS		\$3,017,630,126
LIABILITIES AND MEMBERS' EQUITY		
	As of December 31,	2010
LIABILITIES:		
Members' shares and savings accounts		\$2,724,076,404
Borrowed funds		40,000,000
Accounts payable		6,507,345
Other accrued liabilities		32,849,201
Total liabilities		2,803,432,950
MEMBERS' EQUITY		214,197,176
TOTAL LIABILITIES AND MEMBERS' EQUITY		\$3,017,630,126
CONSOLIDATED STATEMENT OF INCOME		
	For the year ended December 31,	2010
INTEREST INCOME:		
Loans		\$121,456,049
Investments		16,568,766
Total interest income		138,024,815
INTEREST EXPENSE:		
Members' shares and savings accounts		26,111,940
Notes payable		1,615,885
Total interest expense		27,727,825
Net interest income		110,296,990
PROVISION FOR LOAN LOSSES		64,509,849
Net interest income after provision for loan losses		45,787,141
NON-INTEREST INCOME:		
Fees and service charges		46,542,331
Other		25,093,671
Total non-interest income		71,636,002
NON-INTEREST EXPENSE:		
Office operating costs		40,147,816
Compensation and employee benefits		47,437,757
Other		22,035,431
Total non-interest expense		109,621,003
NET INCOME		\$7,802,140
*Unaudited		

ANNUAL REPORT 2010

Board of Directors

Executive Committee

Dr. Karen O. Palladino
Chairman

Martha E. Frasier
Vice Chairman

Julie O. Robbins
Treasurer

Dr. William "Jack" Sidoran
Secretary

Board Members

Willie Howard, Jr.

John G. Oertel

William H. Paine, Sr.

Management Team

Douglas R. Samuels
President/CEO

Thomas R. Baldwin
Executive Vice President, CFO

Timothy M. Antonition
Executive Vice President,
Retail Operations

Tanya R. Boggs
Senior V.P. Mortgage and
Business Services

Meredith A. Gibson
Senior V.P. Marketing

Dorothy M. Bourlier
V.P. Finance and Accounting

Thomas G. Decker
V.P. Investment Services

Thomas J. Farmer
V.P. Lending

Deborah M. Foley
V.P. Call Center Operations

Heather E. Hickman
V.P. Retail Branch Administration

Suzanne E. Kirk
V.P. Operations

S. Steve Koniecki
V.P. Information Systems

Karen M. Sack
V.P. Human Resources

Audit Committee

Dale B. Neubert, Chairman

Fernando Dominicis

Herbert A. Fisher

William H. Paine, Sr.

General Information

Headquarters Address

8045 N. Wickham Road
Melbourne, FL 32940-3011

Web Address

www.sccu.com

E-mail

info@sccu.com

Branch Locations

Brevard County (18)

Broward County (9)

Duval County (2)

Flagler County (2)

Hillsborough County (3)

Indian River County (3)

Miami-Dade County (11)

Palm Beach County (1)

Pinellas County (3)

Volusia County (9)