

STRENGTH. INTEGRITY. STABILITY.

ANNUAL REPORT 2008



Chairman's and President's Report



Julie O. Robbins
Chairman

2008 was a year that tested our strength and strengthened our vision.

As we continually state, Space Coast Credit Union is a successful example of the cooperative power of many people pooling their resources together for a common purpose. Our vision has been to serve only the interests of the member-owners of this cooperative, and to serve only the interests that are best for the membership in the long run. The value of this approach has not always been visible to our members, or to the public at large.



Douglas R. Samuels
President / CEO

We have often been viewed as being the same as a bank, even by some of our members. This is understandable when everything is going along smoothly because we do offer banking services. However, during the financial meltdown of 2008, the differences in the purposes and motivations became starkly apparent.

Amidst the panic and uncertainty that transpired in the markets, we were proud that Space Coast Credit Union was able to provide stable and reliable service to our members. The credit union did not lose deposits, but rather grew deposits by \$17 million for the year. A significant portion of that growth was from new members who told us that they were moving their banking relationship here because SCCU had been in the community for many years, and had served their friends and neighbors well. They were seeking stability in an increasingly uncertain financial environment, and they felt that SCCU could deliver that.

Similarly, as many providers had contracted even from making reasonable loans to eligible borrowers, the credit union demonstrated its strength by continuing to provide such loans to our members. This resulted in the credit union providing \$241 million in vehicle loans, and \$98 million in mortgage loans for our members.

The credit union is not immune from the current turmoil. As we know, the lending practices of some of the key movers and shakers in the home loan industry impacted the entire economy in many ways. The flawed foundations of Fannie Mae and Freddie Mac made credit easy to get, which resulted in high demand for home loans. These forces resulted in the unprecedented increase in home values. We, as a lender in this market, made loans against those values, so as the values have collapsed, and loan default rates have accelerated, the credit

union has experienced losses from our home loans. The loan losses have greatly reduced net income in 2008, with the credit union realizing Return on Average Assets (ROA) for the year of .02%. Even though this is a very low return, we were pleased that we were able to produce a positive return for the year.

We are proud of these earnings because they were attained due to the strengths that we have been building over the last several years. Due to some of the unique ways by which we provide service, Space Coast Credit Union is efficient. In good times, this does not appear that important because there seems to be plenty to go around, but the Board and employees view it as our responsibility to be as efficient as possible with how, and on what, we spend our members' money.

Because of this focus in the very good times, our leanness meant that we could weather these storms of economic turmoil, retain and engage our employees, take advantage of market opportunities, generate positive short-term earnings, and actually grow the credit union while maintaining a net worth level that is 100% higher than the level defined by our regulatory agencies as "adequately capitalized". The credit union has built up its net worth over the past several years to ensure that we can continue to run the business amidst unprecedented challenges such as these.

In fact, due to our unique service models and operating efficiencies, the credit union significantly increased its share of the local vehicle loan and mortgage loan market in 2008. While others cut back service and laid off employees, we were able to step in and provide service at greater levels than ever before. Our survey results indicate that in 2008, our level of members satisfaction exceeded that of any other year.

Our projections for 2009 anticipate additional challenges with the economy and unemployment in the areas we serve. We are prepared for the challenges with our high net worth, efficient operations, excellent and competent employees, and valuable service offerings. Even though our short-term earnings will again be very low due to the anticipated loan losses, the credit union will be moving ahead from the position of strength that it has built over many years of careful and conservative management.

Despite the challenges that 2009 promises, we are excited about the opportunities that exist for strong, stable organizations.

Julie O. Robbins
Chairman

Douglas R. Samuels
President / CEO

Credit Manager's Report

In 2008, despite the challenges of the current economy, Space Coast Credit Union made every attempt to stay true to our commitment of improving our members' lives by providing convenient, well-priced, and reputable loan products. Our total loans increased by \$48 million, representing a 4% increase over 2007. First mortgage, credit card, and automobile loans were the major loan products contributing to the increase in our loan portfolio. Consumer loans processed totaled \$787 million, and mortgage loans processed totaled \$273 million.

We originated \$241 million in automobile loans in 2008, which was an increase of 5% over 2007. We continued to build strong relationships with our participating dealers and have expanded our indirect lending program to Osceola, Seminole, and Orange counties.

As in previous years, many of our members were able to improve their financial situation by refinancing vehicle loans originated elsewhere with SCCU.

Mortgage loans outstanding increased by 2% over 2007. Space Coast Credit Union funded over \$98 million in first mortgage loans in 2008, and currently services \$806 million in first mortgage loans.

Credit card outstandings increased 7% over 2007. This was a direct result of the Platinum Credit Card program with rewards, which was introduced in mid-October 2007.

Space Coast Credit Union is committed to providing competitive loan products to the small and medium sized businesses in the communities we serve. We funded \$12 million in business loans for our members in 2008.

In 2009, we will continue to improve our operational efficiencies so we can continue to provide our members with convenient, fast, and low-cost loan products.

Thomas J. Farmer
Director of Lending

Audit Committee Report

Condensed Financial Information*

The Audit Committee is appointed by the Board of Directors of Space Coast Credit Union. 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 implementation 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 financial statements.

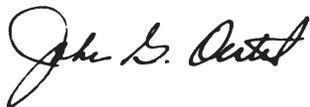
In 2008, we completed a restructuring of the Internal Audit Department. We signed an engagement letter with the Certified Public Accounting firm of Clifton Gunderson LLP to utilize their skills and resources in combination with the skills and resources of our in-house Internal Audit staff to increase the overall effectiveness and efficiency of the Department. All audits on the 2008 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 March, 2008, Hutto & Carver's audit of the 2007 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



John G. Oertel, Chairman

Audit Committee Members
 Fernando Dominicis
 Dale B. Neubert
 William H. Paine, Sr.
 Dr. Karen O. Palladino

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION			
	As of December 31,		
	2008	2007	
ASSETS			
Cash	\$10,304,782	\$12,751,390	
Investments			
Available-for-sale	54,838,659	19,308,955	
Held-to-maturity	14,539,752	15,860,403	
Other	284,951,246	319,382,042	
Loans held for sale			
Loans to members - net of allowance for loan losses	1,134,825,898	1,098,026,833	
Accrued interest receivable	5,899,041	5,750,689	
Prepaid and other assets	11,279,358	9,618,257	
Property and equipment - net of accumulated depreciation	44,869,675	45,987,232	
Other real estate owned	3,759,083	832,573	
National Credit Union Share Insurance Fund deposit	12,740,648	12,331,094	
TOTAL ASSETS	\$1,578,008,142	\$1,539,849,468	
LIABILITIES AND MEMBERS' EQUITY			
	As of December 31,		
	2008	2007	
LIABILITIES:			
Members' shares and savings accounts	\$1,313,280,484	\$1,296,394,156	
Borrowed funds	40,000,000	30,000,000	
Accounts payable	2,896,676	3,010,937	
Other accrued liabilities	21,836,509	11,459,923	
Total liabilities	1,378,013,669	1,340,865,016	
MEMBERS' EQUITY	199,994,473	198,984,452	
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$1,578,008,142	\$1,539,849,468	
CONSOLIDATED STATEMENTS OF INCOME			
	For the years ended December 31,		
	2008	2007	
INTEREST INCOME:			
Loans	\$74,507,839	\$72,968,083	
Investments	10,937,158	18,850,318	
Total interest income	85,444,997	91,818,401	
INTEREST EXPENSE:			
Members' share and savings accounts	32,353,818	37,817,964	
Notes payable	1,348,807	2,171,175	
Total interest expense	33,702,625	39,989,139	
Net interest income	51,742,372	51,829,262	
PROVISION FOR LOAN LOSSES	29,439,992	13,497,970	
Net interest income after provision for loan losses	22,302,380	38,331,292	
NON-INTEREST INCOME:			
Fees and service charges	12,494,830	11,552,993	
Other	9,359,018	9,420,394	
Total non-interest income	21,853,848	20,973,387	
NON-INTEREST EXPENSE:			
Office operating costs	18,001,139	18,652,069	
Compensation and employee benefits	22,445,609	21,999,446	
Other	3,348,389	3,264,443	
Total non-interest expense	43,795,137	43,915,958	
NET INCOME	\$361,091	\$15,388,721	
*Unaudited			

ANNUAL REPORT 2008

Board of Directors

*Julie O. Robbins
Chairman

*Martha E. Frasier
Vice Chairman

*Charles H. Renfro
Treasurer

*William G. Thoms
Secretary

Board Members

Willie Howard, Jr.
John H. Leonard
William H. Paine, Sr.
Dr. Karen O. Palladino
Dr. William "Jack" Sidoran

*Executive Committee

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

Dottie M. Bourlier
V.P. Finance and Accounting

Thomas G. Decker
V.P. Investment Services

Teresa E. Farnsworth
V.P. Operations

Heather E. Hickman
V.P. Retail Services,
South Brevard/
Indian River County

S. Steve Koniecki
V.P. Information Systems

Karen M. Sack
V.P. Human Resources

Audit Committee

John G. Oertel, Chairman
Fernando Dominicis
Dale B. Neubert
William H. Paine, Sr.
Dr. Karen O. Palladino

General Information

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Locations

Brevard County

Baytree/Suntree
Cocoa
Cocoa Beach
Indian Harbour Beach
Melbourne (2)
Merritt Island
Palm Bay (6)
Patrick Air Force Base
Port Saint John
Rockledge (2)
Titusville

Indian River County

Sebastian
Vero Beach (2)

Volusia County

Daytona Beach
Deland (2)
Deltona
New Smyrna Beach
Orange City
Ormond Beach
Port Orange (2)

Flagler County

Palm Coast (2)