

SECOND BANCORP INC

Form 8-K

October 18, 2002

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: October 17, 2002

Second Bancorp Incorporated

(Exact name of registrant as specified in its charter)

Ohio

0-15624

34-1547453

(State of incorporation)
108 Main Avenue S.W., Warren,
Ohio 44482-1311

(Commission File Number)

(IRS Employer Identification No.)

(Address of principal executive offices) (Zip
Code)

Registrant's telephone number, including area code: 330-841-0123

Item 5. Other Events

On October 17, 2002, the Company issued the following press release:

**SECOND BANCORP
REPORTS STRONG THIRD QUARTER**

Warren, Ohio, October 17, 2002 **SECOND BANCORP INCORPORATED** (Nasdaq **SECD** , **SECDP**) reported consolidated net income for third quarter 2002 of \$5,536,000, a 25.8% increase over the \$4,401,000 reported for the same period last year. Year-to-date earnings were \$14.57 million, 14.3% above the \$12.75 million reported for last year's first nine months. On a per share basis, diluted earnings for the just completed quarter were \$.55 or 27.9% above the \$.43 reported for the year-ago quarter. Earnings per share for the first three quarters of the year reached \$1.45, a 15.1% improvement over the \$1.26 reported for the same period last year.

The Company's key ratios for the quarter and for the first nine months of 2002 were similarly improved over the same periods last year. Returns on average assets (ROA) for the quarter and year-to-date were 1.25% and 1.14% respectively compared to 1.11% and 1.09% a year ago. Returns on average equity (ROE) were similarly improved at 16.22% for the quarter and 14.59% year-to-date compared to 13.87% and 13.97% respectively last year. The Company's efficiency ratio for the quarter was 56.94% and 58.59% for the first nine months of the year compared to the 57.89% and 58.20% reported for the respective year-ago periods. Second Bancorp's net interest margin for the quarter was unchanged from last year at 3.49% but reached 3.63% year-to-date, 16 basis points stronger than last year.

Non-interest income for the reporting period (including \$832,000 in security gains) was \$7.16 million, 59% above the \$4.49 million reported last year. Leading that strong performance was \$2.42 million in gains on sale of loans reflecting secondary market activity generated by our mortgage lending business, \$1.03 million more than for that category last year. Non-interest income was similarly improved for the year's first three quarters reaching \$16.18 million compared to \$13.68 for the same period last year.

TABLE OF CONTENTS

Financial Highlights

Quarterly Data

Financial Highlights

Year-to-Date Data

Consolidated Statements of Income

Quarterly Data

Consolidated Statements of Income

Year-to-Date Data

Consolidated Balance Sheets

Consolidated Average Balance Sheets For the Quarter Ended

Consolidated Average Balance Sheets For the Year-to-date period ended

SIGNATURES

Table of Contents

Non-interest expenses for the quarter (including \$124,000 in costs associated with the Company's September acquisition of Stouffer-Herzog Insurance Agency) were \$11.84 million, up from \$10.08 million a year ago. The year-over-year increase was led by salaries and benefits which grew \$1.18 million primarily reflecting additions to staff associated with acquisition activity and growth in our mortgage banking line of business.

Credit quality continued to soften during the quarter reflecting developments with respect to two related commercial loans and, to a lesser extent, general sluggishness in the local and national economies. Second Bancorp's quarter-end non-accrual and 90-days past due but accruing loans were \$12.76 million and \$7.00 million respectively compared to \$4.27 and \$4.69 for the same period last year. Net loan charge-offs for the quarter were \$.94 million, slightly better than the \$1.17 million in charges taken during third quarter 2001. The Company's loan loss reserve at the end of the quarter was 1.51% of period-end loans, 6 basis points stronger than a year ago while non-performing loans as a percentage of total loans reached 1.73%. Second National Bank Senior Vice President and Chief Lending Officer John L. Falatok stated "The significant increase in non-accruing loans at the end of the quarter primarily reflects developments with the two related commercial loans. Ongoing analysis of those under-performing credits which have aggregate balances of \$7.3 million indicates that collateral securing them is partially impaired and may affect our ability to fully collect all of the outstanding loan balances. The third quarter allocation to the Company's loan loss reserve reflects our assessment of the current condition of those loans."

In an unrelated matter, Second National Bank's Board of Directors has approved formal plans to reorganize the Bank's branch delivery system. Senior Vice President Darrel E. Mast indicated "Based upon extensive analysis focused on the growth and profitability characteristics of our broader markets, the Bank has begun the process of justifying and reallocating its retail banking resources. The plan, which will be implemented through the end of 2003 and beyond, involves among other things the consolidation of certain offices and the establishment of new retail banking centers in high growth markets. Our goals are to assure the more efficient delivery of products and services to our retail customer base and to optimize the use of our financial and human resources as we grow the institution internally. Costs associated with execution of the plan currently estimated to be \$2 million will be recognized for earnings purposes during the fourth quarter. The plan does not anticipate reallocation or consolidation activity with respect to any of the Bank's retail banking centers located in its headquarter Trumbull County."

The Company also reported that its Board of Directors declared an eighteen cent (\$.18) per share common dividend payable October 31, 2002 to shareholders of record on October 15. That dividend is unchanged from the second quarter of the year and is 5.9% higher than the dividend paid for the third quarter last year.

This announcement contains forward-looking statements that involve risk and uncertainties, including changes in general economic and financial market conditions and the Company's ability to execute its business plans. Although management believes the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially.

Second Bancorp is a \$1.8 billion financial holding company providing a full range of commercial and consumer banking, wealth management, insurance and investment products and services to communities in a nine county area of Northeastern and East-Central Ohio through subsidiaries Second National Bank and Stouffer-Herzog Insurance Agency, Inc.

Additional information about Second Bancorp and information about products and services offered by Second National Bank can be found on the Web at www.secondnationalbank.com.

CONTACT: Christopher Stanitz, Executive Vice President and Secretary, at 330.841.0234 (phone), 330.841.0489 (fax), or estanitz@secondnationalbank.com.

Table of Contents

**Second Bancorp Incorporated and Subsidiaries
Financial Highlights
Quarterly Data**

(Dollars in thousands, except per share data)

	<u>Sept.</u>	<u>June</u>	<u>March</u>	<u>Dec.</u>	<u>Sept.</u>
	2002	2002	2002	2001	2001
Earnings:					
Net interest income	\$13,954	\$14,403	\$14,157	\$13,503	\$12,473
Provision for loan losses	1,573	1,303	933	1,627	988
Non-interest income	6,329	4,053	5,157	5,845	4,420
Security (losses) gains	832	0	(173)	2	123
Trading account (losses) gains	0	0	(20)	0	(52)
Non-interest expense	11,841	11,283	11,797	12,001	10,082
Federal income taxes	2,165	1,517	1,708	1,388	1,493
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Income before accounting change	5,536	4,353	4,683	4,334	4,401
Cumulative effect of accounting change, net of tax	0	0	0	0	0
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Net income	\$5,536	\$4,353	\$4,683	\$4,334	\$4,401

Per share:

Basic earnings before accounting change

n/a n/a n/a n/a n/a

Basic earnings

0.56 0.44 0.47 0.43 0.43

Diluted earnings before accounting change

n/a n/a n/a n/a n/a

Diluted earnings

0.55 0.43 0.47 0.43 0.43

Common dividends

0.18 0.18 0.18 0.17 0.17

Book value

14.14 13.71 12.96 12.90 13.04

Tangible book value

11.99 11.85 11.11 11.10 12.90

Market value

26.73 27.30 24.25 21.61 20.50

Weighted average shares outstanding:

Basic

9,876,844 9,958,928 9,944,671 9,988,137 10,033,365

Diluted

9,993,241 10,087,003 10,054,758 10,075,690 10,117,705

Period end balance sheet:

Assets

\$1,825,235 \$1,719,744 \$1,684,848 \$1,680,356 \$1,609,019

Securities

535,174 448,736 411,897 417,496 407,004

Total loans

1,153,581 1,092,398 1,114,314 1,121,892 1,060,778

Reserve for loan losses

17,443 16,810 16,884 16,695 15,429

Deposits

1,181,281 1,146,451 1,131,199 1,123,131 1,057,291

Total shareholders equity

139,682 136,293 128,853 128,299 130,766

Tier I capital

139,983 141,011 139,474 137,395 149,171

Tier I ratio

10.7% 11.9% 11.3% 11.3% 13.1%

Total capital

156,401 155,799 154,854 152,550 163,385

Total capital ratio

11.9% 13.2% 12.6% 12.6% 14.4%

Total risk-adjusted assets

1,312,414 1,181,029 1,228,918 1,210,858 1,135,902

Tier I leverage ratio
 8.4% 8.4% 8.3% 8.2% 9.4%

Average balance sheet:

Assets
 \$1,770,928 \$1,727,642 \$1,691,123 \$1,685,148 \$1,582,934
 Earning assets
 1,657,438 1,618,286 1,581,704 1,574,906 1,494,932
 Loans
 1,108,133 1,097,302 1,109,990 1,100,573 1,064,655
 Deposits
 1,173,188 1,153,065 1,129,829 1,109,855 1,061,537
 Shareholders equity
 136,494 132,734 130,152 131,262 126,950

Key ratios: (%) (1)

Return on average assets (ROA)
 1.25 1.01 1.11 1.08 1.11
 Return on average shareholders equity (ROE)
 16.22 13.12 14.39 13.81 13.87
 Net interest margin
 3.49 3.69 3.72 3.57 3.49
 Net overhead
 1.33 1.79 1.68 1.49 1.53
 Efficiency ratio
 56.94 59.49 59.46 58.74 57.89

Credit quality:

Non-accrual loans
 \$12,756 \$6,287 \$5,313 \$5,004 \$4,273
 Restructured loans
 259 197 0 258 358
 90 day past due and accruing
 6,995 6,011 6,257 5,304 4,693

Non-performing loans
 20,010 12,495 11,570 10,566 9,324
 Other real estate owned
 1,593 1,644 1,423 1,399 1,322

Non-performing assets
\$21,603 \$14,139 \$12,993 \$11,965 \$10,646

Charge-offs
\$1,116 \$1,625 \$1,285 \$2,458 \$1,343

Recoveries
176 248 541 219 175

Net charge-offs
\$940 \$1,377 \$744 \$2,239 \$1,168

Reserve for loan losses as a percent of period-end loans (%)

1.51 1.54 1.52 1.49 1.45

Net charge-offs (annualized) as a percent of average loans (%)

0.34 0.50 0.27 0.81 0.44

Non-performing loans as a percent of loans

1.73 1.14 1.04 0.94 0.88

Non-performing assets as a percent of assets

1.18 0.82 0.77 0.71 0.66

(1) Based on income before accounting change and excludes merger costs.
Page 3 of 10

Table of Contents

**Second Bancorp Incorporated and Subsidiaries
Financial Highlights
Year-to-Date Data**

(Dollars in thousands, except per share data)

	<u>Sept.</u> <u>2002</u>	<u>June</u> <u>2002</u>	<u>March</u> <u>2002</u>	<u>Dec.</u> <u>2001</u>	<u>Sept.</u> <u>2001</u>
Earnings:					
Net interest income	\$42,514	\$28,560	\$14,157	\$50,190	\$36,687
Provision for loan losses	3,809	2,236	933	4,718	3,091
Non-interest income	15,539	9,210	5,157	18,867	13,022
Security gains (losses)	659	(173)	(173)	642	640
Trading account gains (losses)	(20)	(20)	(20)	19	19
Non-interest expense	34,921	23,080	11,797	41,939	29,938
Federal income taxes	5,390	3,225	1,708	5,880	4,492
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Income before accounting change	14,572	9,036	4,683	17,181	12,847
Cumulative effect of accounting change, net of tax	0	0	0	(101)	(101)
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Net income	\$14,572	\$9,036	\$4,683	\$17,080	\$12,746

Per share:

Basic earnings before accounting change

n/a n/a n/a \$1.72 \$1.28

Basic earnings

1.47 0.91 0.47 1.70 1.27

Diluted earnings before accounting change

n/a n/a n/a 1.71 1.27

Diluted earnings

1.45 0.90 0.47 1.69 1.26

Common dividends

0.54 0.36 0.18 0.68 0.51

Book value

14.14 13.71 12.96 12.90 13.04

Tangible book value

11.99 11.85 11.11 11.10 12.90

Market value

26.73 27.30 24.25 21.61 20.50

Weighted average shares outstanding:

Basic

9,929,276 9,948,346 9,944,671 10,013,068 10,021,471

Diluted

10,051,077 10,071,366 10,054,758 10,080,005 10,087,935

Period end balance sheet:

Assets

\$1,825,235 \$1,719,744 \$1,684,848 \$1,680,356 \$1,609,019

Securities

535,174 448,736 411,897 417,496 407,004

Total loans

1,153,581 1,092,398 1,114,314 1,121,892 1,060,778

Reserve for loan losses

17,443 16,810 16,884 16,695 15,429

Deposits

1,181,281 1,146,451 1,131,199 1,123,131 1,057,291

Total shareholders equity

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Tier I capital

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Tier I ratio

10.7% 11.9% 11.3% 11.3% 13.1%

Total capital

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Total capital ratio

11.9% 13.2% 12.6% 12.6% 14.4%

Total risk-adjusted assets

1,312,414 1,181,029 1,228,918 1,210,858 1,135,902

Tier I leverage ratio
 8.4% 8.4% 8.3% 8.2% 9.4%

Average balance sheet:

Assets
 \$1,730,190 \$1,709,483 \$1,691,123 \$1,595,968 \$1,565,914
 Earning assets
 1,619,420 1,600,096 1,581,704 1,502,164 1,477,650
 Loans
 1,105,135 1,103,611 1,109,990 1,078,196 1,070,655
 Deposits
 1,152,186 1,141,511 1,129,829 1,070,439 1,057,156
 Shareholders equity
 133,150 131,450 130,152 124,773 122,586

Key ratios: (%) (1)

Return on average assets (ROA)
 1.14 1.06 1.11 1.09 1.09
 Return on average shareholders equity (ROE)
 14.59 13.75 14.39 13.93 13.97
 Net interest margin
 3.63 3.70 3.72 3.49 3.47
 Net overhead
 1.60 1.74 1.68 1.51 1.52
 Efficiency ratio
 58.59 59.47 59.46 58.35 58.20

Credit quality:

Non-accrual loans
 \$12,756 \$6,287 \$5,313 \$5,004 \$4,273
 Restructured loans
 259 197 0 258 358
 90 day past due and accruing
 6,995 6,011 6,257 5,304 4,693

Non-performing loans
 20,010 12,495 11,570 10,566 9,324
 Other real estate owned
 1,593 1,644 1,423 1,399 1,322

Non-performing assets
 \$21,603 \$14,139 \$12,993 \$11,965 \$10,646

Charge-offs
 \$4,026 \$2,910 \$1,285 \$6,471 \$4,013
 Recoveries
 965 789 541 1,353 1,134

Net charge-offs
 \$3,061 \$2,121 \$744 \$5,118 \$2,879

Reserve for loan losses as a percent of period-end loans (%)
 1.51 1.54 1.52 1.49 1.45
 Net charge-offs (annualized) as a percent of average loans (%)
 0.37 0.38 0.27 0.47 0.36
 Non-performing loans as a percent of loans
 1.73 1.14 1.04 0.94 0.88
 Non-performing assets as a percent of assets
 1.18 0.82 0.77 0.71 0.66

(1) Based on income before accounting change and excludes merger costs.
Page 4 of 10

Table of Contents

**Second Bancorp Incorporated and Subsidiaries
Consolidated Statements of Income
Quarterly Data**

(Dollars in thousands, except per share data)

	<u>Sept.</u> <u>2002</u>	<u>June</u> <u>2002</u>	<u>March</u> <u>2002</u>	<u>Dec.</u> <u>2001</u>	<u>Sept.</u> <u>2001</u>
INTEREST INCOME					
Loans (including fees):					
Taxable					
\$19,598	\$19,965	\$20,471	\$20,764	\$21,015	
Exempt from federal income taxes					
227	233	243	257	268	
Securities:					
Taxable					
5,963	5,797	5,322	5,716	5,471	
Exempt from federal income taxes					
722	715	774	789	800	
Federal funds sold and other temp. investments					
324	394	213	268	326	
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Total interest income					
26,834	27,104	27,023	27,794	27,880	

INTEREST EXPENSE

Deposits					
7,526	7,429	7,674	8,882	10,467	
Federal funds purchased and securities sold under agreements to repurchase					
597	636	566	727	937	
Note Payable					
10	0	0	0	13	
Other borrowed funds					
10	2	16	15	23	
Federal Home Loan Bank advances					
4,003	3,901	3,877	3,939	3,946	
Corporation-obligated manditorily redeemable capital securities of subsidiary trust					
734	733	733	728	21	

Total interest expense
 12,880 12,701 12,866 14,291 15,407

Net interest income
 13,954 14,403 14,157 13,503 12,473
 Provision for loan losses
 1,573 1,303 933 1,627 988

Net interest income after provision for loan losses
 12,381 13,100 13,224 11,876 11,485

NON-INTEREST INCOME

Service charges on deposit accounts
 1,505 1,411 1,320 1,424 1,344
 Trust fees
 596 696 786 604 761
 Gain on sale of loans
 2,421 1,709 1,544 2,531 1,394
 Trading account (losses) gains
 0 0 (20) 0 (52)
 Security (losses) gains
 832 0 (173) 2 123
 Other operating income

1,807 237 1,507 1,286 921

Total non-interest income
7,161 4,053 4,964 5,847 4,491

NON-INTEREST EXPENSE

Salaries and employee benefits
6,494 6,325 6,309 5,941 5,313
Net occupancy
1,119 1,125 1,137 1,084 1,001
Equipment
931 1,023 1,202 883 1,038
Professional services
563 443 485 716 320
Assessment on deposits and other taxes
384 330 329 321 415
Amortization of goodwill and other intangibles
110 111 110 135 81
Merger costs
124 0 0 305 0
Other operating expenses
2,116 1,926 2,225 2,616 1,914

Total non-interest expense
11,841 11,283 11,797 12,001 10,082

Income before federal income taxes
7,701 5,870 6,391 5,722 5,894
Income tax expense
2,165 1,517 1,708 1,388 1,493

Income before accounting change
5,536 4,353 4,683 4,334 4,401
Cumulative effect of accounting change, net of tax
0 0 0

Net income
\$5,536 \$4,353 \$4,683 \$4,334 \$4,401

NET INCOME PER COMMON SHARE:

Basic before accounting change
n/a n/a n/a n/a n/a
Basic

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\$0.56 \$0.44 \$0.47 \$0.43 \$0.44

Diluted before accounting change

n/a n/a n/a n/a n/a

Diluted

\$0.55 \$0.43 \$0.47 \$0.43 \$0.43

Weighted average common shares outstanding:

Basic

9,876,844 9,958,928 9,944,671 9,988,137 10,033,365

Diluted

9,993,241 10,087,003 10,054,758 10,075,690 10,117,705

Note: Fully taxable equivalent adjustment

\$511 \$510 \$548 \$563 \$575

Table of Contents

**Second Bancorp Incorporated and Subsidiaries
Consolidated Statements of Income
Year-to-Date Data**

(Dollars in thousands, except per share data)

	<u>Sept. 2002</u>	<u>June 2002</u>	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>
INTEREST INCOME					
Loans (including fees):					
Taxable	\$60,034	\$40,436	\$20,471	\$85,631	\$64,867
Exempt from federal income taxes	703	476	243	1,092	835
Securities:					
Taxable	17,082	11,119	5,322	21,614	15,898
Exempt from federal income taxes	2,211	1,489	774	3,137	2,348
Federal funds sold and other temp. investments	931	607	213	1,083	815
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Total interest income	80,961	54,127	27,023	112,557	84,763
INTEREST EXPENSE					
Deposits	22,629	15,103	7,674	42,010	33,128
Federal funds purchased and securities sold under agreements to repurchase	1,799	1,202	566	3,904	3,177
Note Payable	10	0	0	47	47
Other borrowed funds	28	18	16	90	75
Federal Home Loan Bank advances	11,781	7,778	3,877	15,567	11,628
Corporation-obligated manditorily redeemable capital securities of subsidiary trust	2,200	1,466	733	749	21

Total interest expense
 38,447 25,567 12,866 62,367 48,076

Net interest income
 42,514 28,560 14,157 50,190 36,687
 Provision for loan losses
 3,809 2,236 933 4,718 3,091

Net interest income after provision for loan losses
 38,705 26,324 13,224 45,472 33,596

NON-INTEREST INCOME

Service charges on deposit accounts
 4,236 2,731 1,320 5,302 3,878
 Trust fees
 2,078 1,482 786 2,870 2,266
 Gain on sale of loans
 5,674 3,253 1,544 5,814 3,283
 Trading account (losses) gains
 (20) (20) (20) 19 19
 Security (losses) gains
 659 (173) (173) 642 640
 Other operating income

3,551 1,744 1,507 4,881 3,595

Total non-interest income
16,178 9,017 4,964 19,528 13,681

NON-INTEREST EXPENSE

Salaries and employee benefits
19,128 12,634 6,309 21,544 15,603
Net occupancy
3,381 2,262 1,137 4,263 3,179
Equipment
3,156 2,225 1,202 3,891 3,008
Professional services
1,491 928 485 1,776 1,060
Assessment on deposits and other taxes
1,043 659 329 1,542 1,221
Amortization of goodwill and other intangibles
331 221 110 377 242
Merger costs
124 0 0 305 0
Other operating expenses
6,267 4,151 2,225 8,241 5,625

Total non-interest expense
34,921 23,080 11,797 41,939 29,938

Income before federal income taxes
19,962 12,261 6,391 23,061 17,339
Income tax expense
5,390 3,225 1,708 5,880 4,492

Income before accounting change
14,572 9,036 4,683 17,181 12,847
Cumulative effect of accounting change, net of tax
0 0 0 (101) (101)

Net income
\$14,572 \$9,036 \$4,683 \$17,080 \$12,746

NET INCOME PER COMMON SHARE:

Basic before accounting change
n/a n/a n/a \$1.72 \$1.28
Basic

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\$1.47 \$0.91 \$0.47 \$1.70 \$1.27

Diluted before accounting change

n/a n/a n/a \$1.71 \$1.27

Diluted

\$1.45 \$0.90 \$0.47 \$1.69 \$1.26

Weighted average common shares outstanding:

Basic

9,929,276 9,948,346 9,944,671 10,013,068 10,021,471

Diluted

10,051,077 10,071,366 10,054,758 10,080,005 10,087,935

Note: Fully taxable equivalent adjustment

\$1,569 \$1,058 \$548 \$2,277 \$1,714

Page 6 of 10

Table of Contents

**Second Bancorp Incorporated and Subsidiaries
Consolidated Balance Sheets**
(Dollars in thousands)

September 30	June 30	March 31	December 31	September 30
2002	2002	2002	2001	2001

ASSETS

Cash and due from banks	\$40,815	\$36,230	\$36,397	\$40,837	\$32,441
Federal funds sold and other temp. investments	15,033	64,194	42,631	24,016	51,233
Securities:					
Trading	0	0	0	0	0
Available-for-sale	535,174	448,736	411,897	417,496	407,004

Total securities	535,174	448,736	411,897	417,496	407,004
Loans:					
Commercial	520,175	485,652	500,604	508,579	425,149
Consumer	325,088	333,178	317,858	316,097	318,614
Real estate	308,318	273,568	295,852	297,216	317,015

Total loans
 1,153,581 1,092,398 1,114,314 1,121,892 1,060,778
 Less reserve for loan losses
 17,443 16,810 16,884 16,695 15,429

Net loans
 1,136,138 1,075,588 1,097,430 1,105,197 1,045,349
 Premises and equipment
 16,333 16,592 16,737 16,416 16,650
 Accrued interest receivable
 9,582 8,724 9,596 10,272 10,272
 Goodwill and intangible assets
 31,185 28,415 28,187 26,578 8,328
 Other assets
 40,975 41,265 41,973 39,544 37,742

Total assets
 \$1,825,235 \$1,719,744 \$1,684,848 \$1,680,356 \$1,609,019

LIABILITIES AND SHAREHOLDERS EQUITY

Deposits:
 Demand non-interest bearing

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\$153,341	\$145,006	\$138,107	\$144,953	\$111,539
Demand interest bearing				
98,359	98,893	99,284	105,221	94,831
Savings				
410,322	394,907	335,460	276,628	234,601
Time deposits				
519,259	507,645	558,348	596,329	616,320

Total deposits

1,181,281	1,146,451	1,131,199	1,123,131	1,057,291
Federal funds purchased and securities sold under agreements to repurchase				
166,532	119,867	108,951	107,279	110,071
Note payable				
3,000	0	0	0	0
Other borrowed funds				
3,788	4,249	724	5,853	5,745
Accrued expenses and other liabilities				
14,583	10,486	12,661	10,200	11,185
Federal Home Loan Bank advances				
285,887	271,930	272,005	275,152	267,301
Corporation-obligated manditorily redeemable capital securities of subsidiary trust				
30,482	30,468	30,455	30,442	26,660

Total liabilities

1,685,553	1,583,451	1,555,995	1,552,057	1,478,253
Shareholders equity:				
Common stock, no par value; 30,000,000 shares authorized;				
40,994	38,822	37,722	37,453	37,424
Treasury stock				
(23,631)	(19,462)	(17,397)	(16,798)	(15,072)
Other comprehensive income				
8,894	7,265	1,424	3,434	6,850
Retained earnings				
113,425	109,668	107,104	104,210	101,564

Total shareholders' equity
 139,682 136,293 128,853 128,299 130,766

Total liabilities and shareholders' equity
 \$1,825,235 \$1,719,744 \$1,684,848 \$1,680,356 \$1,609,019

Miscellaneous data:

Common shares issued
 11,024,693 10,932,360 10,856,360 10,832,810 10,828,310
 Treasury shares
 1,147,849 991,589 911,689 883,494 801,512
 Bank owned life insurance (in other assets)
 \$32,677 \$32,268 \$31,858 \$31,449 \$31,041
 Loans serviced for others
 \$1,121,372 \$1,047,988 \$936,559 \$812,774 \$652,337
 Mortgage servicing rights (net of allowance)
 \$10,516 \$10,323 \$10,006 \$8,313 \$6,560
 Goodwill
 17,344 14,645 14,645 14,645 1,014
 Other intangibles
 3,325 3,447 3,536 3,620 754

Total goodwill and intangibles assets
\$31,185 \$28,415 \$28,187 \$26,578 \$8,328

Valuation allowance for mortgage servicing rights included above
\$(3,087) \$(2,285) \$(910) \$(810) \$(505)

Table of Contents

**Second Bancorp Incorporated and Subsidiaries
Consolidated Average Balance Sheets
For the Quarter Ended
(Dollars in Thousands)**

ASSETS	Sept. 2002	June 2002	March 2002	Dec. 2001	Sept. 2001
Cash and demand balances due from banks	\$35,353	\$32,510	\$35,183	\$44,615	\$32,340
Federal funds sold and other temp. investments					
80,102 94,687 51,953 47,585 37,091					
Securities:					
Trading					
0 0 123 99 52					
Available-for-sale					
469,203 426,297 419,638 426,649 393,134					
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Total securities					
469,203 426,297 419,761 426,748 393,186					
Loans:					
Commercial					
532,858 495,622 505,782 492,110 427,029					
Consumer					
294,036 323,626 313,542 316,100 319,838					
Real estate					
281,239 278,054 290,666 292,363 317,788					
<hr/>					
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Total loans					
1,108,133 1,097,302 1,109,990 1,100,573 1,064,655					
Reserve for loan losses					

16,904 16,830 16,884 16,747 15,464

Net loans

1,091,229 1,080,472 1,093,106 1,083,826 1,049,191

Premises and equipment

16,589 16,849 16,449 16,716 17,061

Goodwill and intangible assets

32,340 28,654 27,169 20,309 7,985

Other

46,112 48,173 47,502 45,349 46,080

Total assets

\$1,770,928 \$1,727,642 \$1,691,123 \$1,685,148 \$1,582,934

LIABILITIES AND SHAREHOLDERS EQUITY

Liabilities:

Demand deposits (non-interest bearing)

\$145,177 \$145,418 \$139,013 \$134,160 \$111,635

Demand deposits (interest bearing)

105,903 98,924 99,765 99,783 90,783

Savings

405,813 370,748 308,104 259,322 232,661

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Time deposits

516,295 537,975 582,947 616,590 626,458

Total deposits

1,173,188 1,153,065 1,129,829 1,109,855 1,061,537

Federal funds purchased and securities sold under agreements to repurchase

135,611 128,361 114,128 130,769 112,029

Note payable

1,190 0 0 0 967

Borrowed funds

1,927 773 3,112 2,928 2,240

Accrued expenses and other liabilities

13,479 10,269 10,157 10,794 10,601

Federal Home Loan Bank advances

278,568 271,968 273,299 269,600 267,744

Corporation-obligated mandatorily redeemable capital securities of subsidiary trust

30,471 30,472 30,446 29,940 866

Total liabilities

1,634,434 1,594,908 1,560,971 1,553,886 1,455,984

Shareholders equity:

Common stock

39,522 38,421 37,568 37,438 37,331

Treasury shares

(21,641) (18,291) (17,281) (15,924) (14,814)

Other comprehensive income

7,951 4,503 4,449 7,312 4,548

Retained earnings

110,662 108,101 105,416 102,436 99,885

Total shareholders equity
136,494 132,734 130,152 131,262 126,950

Total liabilities and shareholders equity
\$1,770,928 \$1,727,642 \$1,691,123 \$1,685,148 \$1,582,934

16,873 16,857 16,884 15,889 15,600

Net loans

1,088,262 1,086,754 1,093,106 1,062,307 1,055,055

Premises and equipment

16,629 16,650 16,449 17,283 17,474

Goodwill and intangible assets

29,309 27,769 27,169 10,241 6,848

Other

47,356 47,986 47,502 46,679 47,127

Total assets

\$1,730,190 \$1,709,483 \$1,691,123 \$1,595,968 \$1,565,914

LIABILITIES AND SHAREHOLDERS EQUITY

Liabilities:

Demand deposits (non-interest bearing)

\$143,225 \$142,233 \$139,013 \$115,857 \$109,689

Demand deposits (interest bearing)

101,553 99,342 99,765 90,762 87,722

Savings

361,913 339,599 308,104 242,242 236,486

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Time deposits

545,495 560,337 582,947 621,578 623,259

Total deposits

1,152,186 1,141,511 1,129,829 1,070,439 1,057,156

Federal funds purchased and securities sold under agreements to repurchase

126,112 121,284 114,128 116,131 111,198

Note payable

401 0 0 740 989

Borrowed funds

1,933 1,936 3,112 2,240 2,008

Accrued expenses and other liabilities

11,314 10,213 10,157 10,161 9,948

Federal Home Loan Bank advances

274,631 272,630 273,299 263,719 261,737

Corporation-obligated mandatorily redeemable capital securities of subsidiary trust

30,463 30,459 30,446 7,765 292

Total liabilities

1,597,040 1,578,033 1,560,971 1,471,195 1,443,328

Shareholders equity:

Common stock

38,511 37,997 37,568 37,192 37,109

Treasury shares

(19,087) (17,789) (17,281) (14,989) (14,674)

Net unrealized holding gains

5,647 4,476 4,449 3,947 2,813

Retained earnings

108,079 106,766 105,416 98,623 97,338

Total shareholders equity
133,150 131,450 130,152 124,773 122,586

Total liabilities and shareholders equity
\$1,730,190 \$1,709,483 \$1,691,123 \$1,595,968 \$1,565,914

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 17, 2002

Second Bancorp Incorporated

/s/ David L. Kellerman

David L. Kellerman, Treasurer

Page 10 of 10