

SECOND BANCORP INC

Form 8-K

January 24, 2003

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: January 23, 2003

Second Bancorp Incorporated

(Exact name of registrant as specified in its charter)

| | | |
|------------------------------------------|-----------------------------|--------------------------------------|
| Ohio | 0-15624 | 34-1547453 |
| (State of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |
| 108 Main Avenue S.W., Warren, Ohio | | 44482-1311 |
| (Address of principal executive offices) | | (Zip Code) |

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

Item 5. Other Events

On January 23, 2003, the Company issued the following press release:

**SECOND BANCORP REPORTS EARNINGS FOR
FOURTH QUARTER AND YEAR**

Warren, Ohio, January 23, 2003 **SECOND BANCORP INCORPORATED (Nasdaq SECD , SECDP)** announced that, as previously indicated by the Company, fourth quarter earnings for 2002 were adversely affected by costs associated with the Company's strategy to re-configure its retail branch system and, to a lesser extent, margin compression and credit quality issues. Net income for the fourth quarter was \$3,428,000 or \$.34 per diluted share compared to \$4,334,000 or \$.43 per share for the same period last year. Absent branch reconfiguration and merger costs recognized during the quarter, pro forma operating earnings would have been \$4,797,000 (\$.48 per diluted share), a 6% increase over pro forma operating results of a year ago. For the full year, net income was \$18,000,000 or \$1.79 per diluted share compared to \$17,080,000 or \$1.69 per share in 2001. Excluding the branch reconfiguration charges and merger costs, net income for the year would have been \$19,449,000 (\$1.94 per diluted share), 12% higher than was reported for 2001. A reconciliation of the Company's net income (computed in accordance with GAAP) to pro forma earnings is included in the financial detail of this release.

The Company's branch system reconfiguration strategy includes the 2003 sale of two of subsidiary Second National Bank's retail banking centers, the consolidation of four smaller banking centers into two new, fully-staffed regional locations and new offices in the high growth Medina (relocation of an existing office) and Wooster, Ohio markets. The \$2.1 million

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reconfiguration expense recognized in the fourth quarter will be fully offset by a \$6 million gain on the referenced sale of branches expected to be completed during the first quarter of 2003.

Returns on average assets (ROA) for the quarter and the year were 0.75% and 1.03% respectively (compared to 1.03% and 1.07% a year ago) and returns on average equity (ROE) were 9.99% for the quarter and 13.42% for the full year (compared to 13.21% and 13.69% respectively in 2001). Excluding branch reconfiguration costs, ROA for the quarter and the full year were 1.05% and 1.11% respectively and ROE for the same periods were 13.98% and 14.49%. Historically low interest rates compressed the Company's interest margin for the quarter to 3.38% from 3.57% during the same period last year. For the year, net interest margin improved to 3.56% from 3.49% for 2001.

We are generally quite pleased with the Company's overall performance during a year characterized by a progressively difficult operating environment stated Second Bancorp President and Chief Executive Officer Rick L. Blossom. The branch reconfiguration strategy we began implementing in the third quarter and which reduced fourth quarter earnings is a key part of our effort to enhance profitability and growth opportunities in our branch banking system ... and it will be fully funded by proceeds from the pending sale of our Steubenville, Ohio branches. Looking ahead, rock-bottom interest rates will likely continue to produce thin margins and lagging mortgage servicing rights valuations during 2003. A simmering economy next year could also retard loan growth and increase financial pressures on our traditional small and mid-market commercial customers. Our job will be to aggressively manage through these challenges and position the Company to take advantage of opportunities which will present themselves when the economy returns to a more normalized pattern.

Credit quality continues to be a focal point for the Company. The level of non-performing loans and net charge-offs trended upward during 2002 and were 1.64% of year-end loans and .47% of average loans for the year respectively. The fourth quarter provision for loan losses was \$2.35 million compared to \$1.63 million a year ago. The allowance for loan losses finished the year at \$17.6 million or 1.51% of year-end loans.

The Company also reported that its Board of Directors declared an eighteen cent (\$.18) per share common dividend payable January 31, 2003 to shareholders of record on January 15. That dividend is unchanged from last quarter and is 5.9% higher than the dividend paid for the fourth quarter of 2001.

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 \$1.9 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.

Financial Highlights

Quarterly Data

(Dollars in thousands, except per share data)

| | Dec. 2002 | Sept. 2002 | June 2002 | March 2002 | Dec. 2001 |
|----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Earnings: | | | | | |
| Net interest income | \$ 13,946 | \$ 13,954 | \$ 14,403 | \$ 14,157 | \$ 13,503 |
| Provision for loan losses | 2,350 | 1,573 | 1,303 | 933 | 1,627 |
| Non-interest income | 7,314 | 6,329 | 4,053 | 5,157 | 5,845 |
| Security (losses) gains | (67) | 832 | 0 | (173) | 2 |
| Trading account (losses) gains | 0 | 0 | 0 | (20) | 0 |
| Non-interest expense | 14,575 | 11,841 | 11,283 | 11,797 | 12,001 |
| Federal income taxes | 840 | 2,165 | 1,517 | 1,708 | 1,388 |
| Income before accounting change | 3,428 | 5,536 | 4,353 | 4,683 | 4,334 |
| Cumulative effect of accounting change, net of tax | 0 | 0 | 0 | 0 | 0 |
| Net income | \$ 3,428 | \$ 5,536 | \$ 4,353 | \$ 4,683 | \$ 4,334 |
| Per share: | | | | | |
| Basic earnings before accounting change | n/a | n/a | n/a | n/a | n/a |
| Basic earnings | 0.35 | 0.56 | 0.44 | 0.47 | 0.43 |
| Diluted earnings before accounting change | n/a | n/a | n/a | n/a | n/a |
| Diluted earnings | 0.34 | 0.55 | 0.43 | 0.47 | 0.43 |
| Common dividends | 0.18 | 0.18 | 0.18 | 0.18 | 0.17 |
| Book value | 13.91 | 14.14 | 13.71 | 12.96 | 12.90 |
| Tangible book value | 11.69 | 11.99 | 11.85 | 11.11 | 11.10 |
| Market value | 26.50 | 26.73 | 27.30 | 24.25 | 21.61 |
| Weighted average shares outstanding: | | | | | |
| Basic | 9,835,995 | 9,876,844 | 9,958,928 | 9,944,671 | 9,988,137 |
| Diluted | 9,967,373 | 9,993,241 | 10,087,003 | 10,054,758 | 10,075,690 |
| Period end balance sheet: | | | | | |
| Assets | \$ 1,894,775 | \$ 1,825,235 | \$ 1,719,744 | \$ 1,684,848 | \$ 1,680,356 |
| Securities | 523,669 | 535,174 | 448,736 | 411,897 | 417,496 |
| Total loans | 1,167,791 | 1,153,581 | 1,092,398 | 1,114,314 | 1,121,892 |
| Reserve for loan losses | 17,595 | 17,443 | 16,810 | 16,884 | 16,695 |
| Deposits | 1,195,112 | 1,181,281 | 1,146,451 | 1,131,199 | 1,123,131 |
| Total shareholders equity | 135,780 | 139,682 | 136,293 | 128,853 | 128,299 |
| Tier I capital | 138,000 | 139,983 | 141,011 | 139,474 | 137,395 |
| Tier I ratio | 10.8% | 10.7% | 11.9% | 11.3% | 11.3% |
| Total capital | 153,925 | 156,401 | 155,799 | 154,854 | 152,550 |
| Total capital ratio | 12.1% | 11.9% | 13.2% | 12.6% | 12.6% |
| Total risk-adjusted assets | 1,272,335 | 1,312,414 | 1,181,029 | 1,228,918 | 1,210,858 |
| Tier I leverage ratio | 7.7% | 8.4% | 8.4% | 8.3% | 8.2% |
| Average balance sheet: | | | | | |
| Assets | \$ 1,825,714 | \$ 1,770,928 | \$ 1,727,642 | \$ 1,691,123 | \$ 1,685,148 |
| Earning assets | 1,712,604 | 1,657,438 | 1,618,286 | 1,581,704 | 1,574,906 |
| Loans | 1,171,162 | 1,108,133 | 1,097,302 | 1,109,990 | 1,100,573 |
| Deposits | 1,180,609 | 1,173,188 | 1,153,065 | 1,129,829 | 1,109,855 |
| Shareholders equity | 137,229 | 136,494 | 132,734 | 130,152 | 131,262 |
| Key ratios: (%) | | | | | |
| Return on average assets (ROA) | 0.75 | 1.25 | 1.01 | 1.11 | 1.03 |
| Return on average shareholders equity (ROE) | 9.99 | 16.22 | 13.12 | 14.39 | 13.21 |

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| | | | | | |
|--------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net interest margin | 3.38 | 3.49 | 3.69 | 3.72 | 3.57 |
| Net overhead | 1.70 | 1.33 | 1.79 | 1.68 | 1.56 |
| Efficiency ratio | 66.94 | 56.94 | 59.49 | 59.40 | 60.27 |
| Credit quality: | | | | | |
| Non-accrual loans | \$ 13,123 | \$ 12,756 | \$ 6,287 | \$ 5,313 | \$ 5,004 |
| Restructured loans | 378 | 259 | 197 | 0 | 258 |
| 90 day past due and accruing | 5,692 | 6,995 | 6,011 | 6,257 | 5,304 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Non-performing loans | 19,193 | 20,010 | 12,495 | 11,570 | 10,566 |
| Other real estate owned | 1,371 | 1,593 | 1,644 | 1,423 | 1,399 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Non-performing assets | \$ 20,564 | \$ 21,603 | \$ 14,139 | \$ 12,993 | \$ 11,965 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Charge-offs | \$ 2,558 | \$ 1,116 | \$ 1,625 | \$ 1,285 | \$ 2,458 |
| Recoveries | 360 | 176 | 248 | 541 | 219 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net charge-offs | \$ 2,198 | \$ 940 | \$ 1,377 | \$ 744 | \$ 2,239 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Reserve for loan losses as a percent of period-end loans (%) | 1.51 | 1.51 | 1.54 | 1.52 | 1.49 |
| Net charge-offs (annualized) as a percent of average loans | 0.75 | 0.34 | 0.50 | 0.27 | 1.86 |
| Non-performing loans as a percent of loans | 1.64 | 1.73 | 1.14 | 1.04 | 0.94 |
| Non-performing assets as a percent of assets | 1.09 | 1.18 | 0.82 | 0.77 | 0.71 |

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

(Dollars in thousands, except per share data)

| | <u>Dec. 2002</u> | <u>Sept. 2002</u> | <u>June 2002</u> | <u>March 2002</u> | <u>Dec. 2001</u> |
|----------------------------------------------------|------------------|-------------------|------------------|-------------------|------------------|
| Earnings: | | | | | |
| Net interest income | \$ 56,460 | \$ 42,514 | \$ 28,560 | \$ 14,157 | \$ 50,190 |
| Provision for loan losses | 6,159 | 3,809 | 2,236 | 933 | 4,718 |
| Non-interest income | 22,853 | 15,539 | 9,210 | 5,157 | 18,867 |
| Security gains (losses) | 592 | 659 | (173) | (173) | 642 |
| Trading account gains (losses) | (20) | (20) | (20) | (20) | 19 |
| Non-interest expense | 49,496 | 34,921 | 23,080 | 11,797 | 41,939 |
| Federal income taxes | 6,230 | 5,390 | 3,225 | 1,708 | 5,880 |
| Income before accounting change | 18,000 | 14,572 | 9,036 | 4,683 | 17,181 |
| Cumulative effect of accounting change, net of tax | 0 | 0 | 0 | 0 | (101) |
| Net income | \$ 18,000 | \$ 14,572 | \$ 9,036 | \$ 4,683 | \$ 17,080 |
| Per share: | | | | | |
| Basic earnings before accounting change | n/a | n/a | n/a | n/a | \$ 1.72 |
| Basic earnings | 1.82 | 1.47 | 0.91 | 0.47 | 1.70 |
| Diluted earnings before accounting change | n/a | n/a | n/a | n/a | 1.71 |
| Diluted earnings | 1.79 | 1.45 | 0.90 | 0.47 | 1.69 |
| Common dividends | 0.72 | 0.54 | 0.36 | 0.18 | 0.68 |
| Book value | 13.91 | 14.14 | 13.71 | 12.96 | 12.90 |
| Tangible book value | 11.69 | 11.99 | 11.85 | 11.11 | 11.10 |
| Market value | 26.50 | 26.73 | 27.30 | 24.25 | 21.61 |
| Weighted average shares outstanding: | | | | | |
| Basic | 9,905,832 | 9,929,276 | 9,948,346 | 9,944,671 | 10,013,068 |
| Diluted | 10,040,001 | 10,051,077 | 10,071,366 | 10,054,758 | 10,080,005 |
| Period end balance sheet: | | | | | |
| Assets | \$ 1,894,775 | \$ 1,825,235 | \$ 1,719,744 | \$ 1,684,848 | \$ 1,680,356 |
| Securities | 523,669 | 535,174 | 448,736 | 411,897 | 417,496 |
| Total loans | 1,167,791 | 1,153,581 | 1,092,398 | 1,114,314 | 1,121,892 |
| Reserve for loan losses | 17,595 | 17,443 | 16,810 | 16,884 | 16,695 |
| Deposits | 1,195,112 | 1,181,281 | 1,146,451 | 1,131,199 | 1,123,131 |
| Total shareholders equity | 135,780 | 139,682 | 136,293 | 128,853 | 128,299 |
| Tier I capital | 138,000 | 139,983 | 141,011 | 139,474 | 137,395 |
| Tier I ratio | 10.8% | 10.7% | 11.9% | 11.3% | 11.3% |
| Total capital | 153,925 | 156,401 | 155,799 | 154,854 | 152,550 |
| Total capital ratio | 12.1% | 11.9% | 13.2% | 12.6% | 12.6% |
| Total risk-adjusted assets | 1,272,335 | 1,312,414 | 1,181,029 | 1,228,918 | 1,210,858 |
| Tier I leverage ratio | 7.7% | 8.4% | 8.4% | 8.3% | 8.2% |
| Average balance sheet: | | | | | |
| Assets | \$ 1,754,156 | \$ 1,730,190 | \$ 1,709,483 | \$ 1,691,123 | \$ 1,595,968 |
| Earning assets | 1,642,907 | 1,619,420 | 1,600,096 | 1,581,704 | 1,502,164 |
| Loans | 1,121,777 | 1,105,135 | 1,103,611 | 1,109,990 | 1,078,196 |
| Deposits | 1,159,350 | 1,152,186 | 1,141,511 | 1,129,829 | 1,070,439 |
| Shareholders equity | 134,178 | 133,150 | 131,450 | 130,152 | 124,773 |
| Key ratios: (%) | | | | | |
| Return on average assets (ROA) | 1.03 | 1.12 | 1.06 | 1.11 | 1.07 |
| | 13.42 | 14.59 | 13.75 | 14.39 | 13.69 |

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| | | | | | |
|----------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Return on average shareholders' equity (ROE) | | | | | |
| Net interest margin | 3.56 | 3.63 | 3.70 | 3.72 | 3.49 |
| Net overhead | 1.62 | 1.60 | 1.73 | 1.68 | 1.54 |
| Efficiency ratio | 60.81 | 58.57 | 59.44 | 59.40 | 58.79 |
| Credit quality: | | | | | |
| Non-accrual loans | \$ 13,123 | \$ 12,756 | \$ 6,287 | \$ 5,313 | \$ 5,004 |
| Restructured loans | 378 | 259 | 197 | 0 | 258 |
| 90 day past due and accruing | 5,692 | 6,995 | 6,011 | 6,257 | 5,304 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Non-performing loans | 19,193 | 20,010 | 12,495 | 11,570 | 10,566 |
| Other real estate owned | 1,371 | 1,593 | 1,644 | 1,423 | 1,399 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Non-performing assets | \$ 20,564 | \$ 21,603 | \$ 14,139 | \$ 12,993 | \$ 11,965 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Charge-offs | \$ 6,584 | \$ 4,026 | \$ 2,910 | \$ 1,285 | \$ 6,471 |
| Recoveries | 1,325 | 965 | 789 | 541 | 1,353 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net charge-offs | \$ 5,259 | \$ 3,061 | \$ 2,121 | \$ 744 | \$ 5,118 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Reserve for loan losses as a percent of period-end loans (%) | 1.51 | 1.51 | 1.54 | 1.52 | 1.49 |
| Net charge-offs (annualized) as a percent of average loans (%) | 0.47 | 0.37 | 0.38 | 0.27 | 0.47 |
| Non-performing loans as a percent of loans | 1.64 | 1.73 | 1.14 | 1.04 | 0.94 |
| Non-performing assets as a percent of assets | 1.09 | 1.18 | 0.82 | 0.77 | 0.71 |

Second Bancorp Incorporated and Subsidiaries
Consolidated Statements of Income
Quarterly Data

(Dollars in thousands, except per share data)

| | <u>Dec. 2002</u> | <u>Sept. 2002</u> | <u>June 2002</u> | <u>March 2002</u> | <u>Dec. 2001</u> |
|-------------------------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|------------------|
| INTEREST INCOME | | | | | |
| Loans (including fees): | | | | | |
| Taxable | \$ 19,637 | \$ 19,598 | \$ 19,965 | \$ 20,471 | \$ 20,764 |
| Exempt from federal income taxes | 219 | 227 | 233 | 243 | 257 |
| Securities: | | | | | |
| Taxable | 5,566 | 5,963 | 5,797 | 5,322 | 5,716 |
| Exempt from federal income taxes | 735 | 722 | 715 | 774 | 789 |
| Federal funds sold and other temp. investments | 154 | 324 | 394 | 213 | 268 |
| Total interest income | <u>26,311</u> | <u>26,834</u> | <u>27,104</u> | <u>27,023</u> | <u>27,794</u> |
| INTEREST EXPENSE | | | | | |
| Deposits | 6,771 | 7,526 | 7,429 | 7,674 | 8,882 |
| Federal funds purchased and securities sold under agreements to repurchase | 700 | 597 | 636 | 566 | 727 |
| Note Payable | 28 | 10 | 0 | 0 | 0 |
| Other borrowed funds | 14 | 10 | 2 | 16 | 15 |
| Federal Home Loan Bank advances | 4,119 | 4,003 | 3,901 | 3,877 | 3,939 |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 733 | 734 | 733 | 733 | 728 |
| Total interest expense | <u>12,365</u> | <u>12,880</u> | <u>12,701</u> | <u>12,866</u> | <u>14,291</u> |
| Net interest income | 13,946 | 13,954 | 14,403 | 14,157 | 13,503 |
| Provision for loan losses | 2,350 | 1,573 | 1,303 | 933 | 1,627 |
| Net interest income after provision for loan losses | 11,596 | 12,381 | 13,100 | 13,224 | 11,876 |
| NON-INTEREST INCOME | | | | | |
| Service charges on deposit accounts | 1,587 | 1,505 | 1,411 | 1,320 | 1,424 |
| Trust fees | 637 | 596 | 696 | 786 | 604 |
| Gain on sale of loans | 5,462 | 2,421 | 1,709 | 1,544 | 2,531 |
| Trading account (losses) gains | 0 | 0 | 0 | (20) | 0 |
| Security (losses) gains | (67) | 832 | 0 | (173) | 2 |
| Other operating income | (372) | 1,807 | 237 | 1,507 | 1,286 |
| Total non-interest income | <u>7,247</u> | <u>7,161</u> | <u>4,053</u> | <u>4,964</u> | <u>5,847</u> |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 7,217 | 6,494 | 6,325 | 6,309 | 5,941 |
| Net occupancy | 1,099 | 1,119 | 1,125 | 1,137 | 1,084 |
| Equipment | 742 | 931 | 1,023 | 1,202 | 883 |
| Professional services | 648 | 563 | 443 | 485 | 716 |
| Assessment on deposits and other taxes | 354 | 384 | 330 | 329 | 321 |
| Amortization of goodwill and other intangibles | 144 | 110 | 111 | 110 | 135 |
| Merger costs | 10 | 124 | 0 | 0 | 305 |
| Banking center reconfiguration | 2,096 | 0 | 0 | 0 | 0 |
| Other operating expenses | 2,265 | 2,116 | 1,926 | 2,225 | 2,616 |

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|-------------------------------------------------------|-----------|-----------|------------|------------|------------|
| Total non-interest expense | 14,575 | 11,841 | 11,283 | 11,797 | 12,001 |
| Income before federal income taxes | 4,268 | 7,701 | 5,870 | 6,391 | 5,722 |
| Income tax expense | 840 | 2,165 | 1,517 | 1,708 | 1,388 |
| Income before accounting change | 3,428 | 5,536 | 4,353 | 4,683 | 4,334 |
| Cumulative effect of accounting change, net of tax | 0 | 0 | 0 | 0 | |
| Net income | \$ 3,428 | \$ 5,536 | \$ 4,353 | \$ 4,683 | \$ 4,334 |
| NET INCOME PER COMMON SHARE: | | | | | |
| Basic before accounting change | n/a | n/a | n/a | n/a | n/a |
| Basic | \$ 0.35 | \$ 0.56 | \$ 0.44 | \$ 0.47 | \$ 0.43 |
| Diluted before accounting change | n/a | n/a | n/a | n/a | n/a |
| Diluted | \$ 0.34 | \$ 0.55 | \$ 0.43 | \$ 0.47 | \$ 0.43 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 9,835,995 | 9,876,844 | 9,958,928 | 9,944,671 | 9,988,137 |
| Diluted | 9,967,373 | 9,993,241 | 10,087,003 | 10,054,758 | 10,075,690 |
| Note: Fully taxable equivalent adjustment | \$ 514 | \$ 511 | \$ 510 | \$ 548 | \$ 563 |

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

(Dollars in thousands, except per share data)

| | <u>Dec. 2002</u> | <u>Sept. 2002</u> | <u>June 2002</u> | <u>March 2002</u> | <u>Dec. 2001</u> |
|-------------------------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|------------------|
| INTEREST INCOME | | | | | |
| Loans (including fees): | | | | | |
| Taxable | \$ 79,671 | \$ 60,034 | \$ 40,436 | \$ 20,471 | \$ 85,631 |
| Exempt from federal income taxes | 922 | 703 | 476 | 243 | 1,092 |
| Securities: | | | | | |
| Taxable | 22,648 | 17,082 | 11,119 | 5,322 | 21,614 |
| Exempt from federal income taxes | 2,946 | 2,211 | 1,489 | 774 | 3,137 |
| Federal funds sold and other temp. investments | 1,085 | 931 | 607 | 213 | 1,083 |
| | <u>107,272</u> | <u>80,961</u> | <u>54,127</u> | <u>27,023</u> | <u>112,557</u> |
| INTEREST EXPENSE | | | | | |
| Deposits | 29,400 | 22,629 | 15,103 | 7,674 | 42,010 |
| Federal funds purchased and securities sold under agreements to repurchase | 2,499 | 1,799 | 1,202 | 566 | 3,904 |
| Note Payable | 38 | 10 | 0 | 0 | 47 |
| Other borrowed funds | 42 | 28 | 18 | 16 | 90 |
| Federal Home Loan Bank advances | 15,900 | 11,781 | 7,778 | 3,877 | 15,567 |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 2,933 | 2,200 | 1,466 | 733 | 749 |
| | <u>50,812</u> | <u>38,447</u> | <u>25,567</u> | <u>12,866</u> | <u>62,367</u> |
| Net interest income | 56,460 | 42,514 | 28,560 | 14,157 | 50,190 |
| Provision for loan losses | 6,159 | 3,809 | 2,236 | 933 | 4,718 |
| | <u>50,301</u> | <u>38,705</u> | <u>26,324</u> | <u>13,224</u> | <u>45,472</u> |
| NON-INTEREST INCOME | | | | | |
| Service charges on deposit accounts | 5,823 | 4,236 | 2,731 | 1,320 | 5,302 |
| Trust fees | 2,715 | 2,078 | 1,482 | 786 | 2,870 |
| Gain on sale of loans | 11,136 | 5,674 | 3,253 | 1,544 | 5,814 |
| Trading account (losses) gains | (20) | (20) | (20) | (20) | 19 |
| Security gains (losses) | 592 | 659 | (173) | (173) | 642 |
| Other operating income | 3,179 | 3,551 | 1,744 | 1,507 | 4,881 |
| | <u>23,425</u> | <u>16,178</u> | <u>9,017</u> | <u>4,964</u> | <u>19,528</u> |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 26,345 | 19,128 | 12,634 | 6,309 | 21,544 |
| Net occupancy | 4,480 | 3,381 | 2,262 | 1,137 | 4,263 |
| Equipment | 3,898 | 3,156 | 2,225 | 1,202 | 3,891 |
| Professional services | 2,139 | 1,491 | 928 | 485 | 1,776 |
| Assessment on deposits and other taxes | 1,397 | 1,043 | 659 | 329 | 1,542 |
| Amortization of goodwill and other intangibles | 475 | 331 | 221 | 110 | 377 |
| Merger costs | 134 | 124 | 0 | 0 | 305 |
| Banking center reconfiguration | 2,096 | 0 | 0 | 0 | 0 |

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| | | | | | |
|-------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Other operating expenses | 8,532 | 6,267 | 4,151 | 2,225 | 8,241 |
| Total non-interest expense | 49,496 | 34,921 | 23,080 | 11,797 | 41,939 |
| Income before federal income taxes | 24,230 | 19,962 | 12,261 | 6,391 | 23,061 |
| Income tax expense | 6,230 | 5,390 | 3,225 | 1,708 | 5,880 |
| Income before accounting change | 18,000 | 14,572 | 9,036 | 4,683 | 17,181 |
| Cumulative effect of accounting change, net of tax | 0 | 0 | 0 | 0 | (101) |
| Net income | \$ 18,000 | \$ 14,572 | \$ 9,036 | \$ 4,683 | \$ 17,080 |
| NET INCOME PER COMMON SHARE: | | | | | |
| Basic before accounting change | n/a | n/a | n/a | n/a | \$ 1.72 |
| Basic | \$ 1.82 | \$ 1.47 | \$ 0.91 | \$ 0.47 | \$ 1.70 |
| Diluted before accounting change | n/a | n/a | n/a | n/a | \$ 1.71 |
| Diluted | \$ 1.79 | \$ 1.45 | \$ 0.90 | \$ 0.47 | \$ 1.69 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 9,905,832 | 9,929,276 | 9,948,346 | 9,944,671 | 10,013,068 |
| Diluted | 10,040,001 | 10,051,077 | 10,071,366 | 10,054,758 | 10,080,005 |
| Note: Fully taxable equivalent adjustment | \$ 2,083 | \$ 1,569 | \$ 1,058 | \$ 548 | \$ 2,277 |

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

| | December 31 | September 30 | June 30 | March 31 | December 31 |
|-------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2002 | 2002 | 2002 | 2002 | 2001 |
| ASSETS | | | | | |
| Cash and due from banks | \$ 60,822 | \$ 40,815 | \$ 36,230 | \$ 36,397 | \$ 40,837 |
| Federal funds sold and other temp. investments | 61,449 | 15,033 | 64,194 | 42,631 | 24,016 |
| Securities: | | | | | |
| Trading | 0 | 0 | 0 | 0 | 0 |
| Available-for-sale | 523,669 | 535,174 | 448,736 | 411,897 | 417,496 |
| Total securities | 523,669 | 535,174 | 448,736 | 411,897 | 417,496 |
| Loans: | | | | | |
| Commercial | 542,693 | 520,175 | 485,652 | 500,604 | 508,579 |
| Consumer | 322,840 | 325,088 | 333,178 | 317,858 | 316,097 |
| Real estate | 302,258 | 308,318 | 273,568 | 295,852 | 297,216 |
| Total loans | 1,167,791 | 1,153,581 | 1,092,398 | 1,114,314 | 1,121,892 |
| Less reserve for loan losses | 17,595 | 17,443 | 16,810 | 16,884 | 16,695 |
| Net loans | 1,150,196 | 1,136,138 | 1,075,588 | 1,097,430 | 1,105,197 |
| Premises and equipment | 16,632 | 16,333 | 16,592 | 16,737 | 16,416 |
| Accrued interest receivable | 8,762 | 9,582 | 8,724 | 9,596 | 10,272 |
| Goodwill and intangible assets | 20,422 | 20,224 | 17,636 | 17,746 | 17,856 |
| Servicing assets | 12,403 | 10,961 | 10,779 | 10,441 | 8,722 |
| Other assets | 40,420 | 40,975 | 41,265 | 41,973 | 39,544 |
| Total assets | \$ 1,894,775 | \$ 1,825,235 | \$ 1,719,744 | \$ 1,684,848 | \$ 1,680,356 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| DEPOSITS: | | | | | |
| Demand non-interest bearing | \$ 179,714 | \$ 153,341 | \$ 145,006 | \$ 138,107 | \$ 144,953 |
| Demand interest bearing | 103,583 | 98,359 | 98,893 | 99,284 | 105,221 |
| Savings | 405,437 | 410,322 | 394,907 | 335,460 | 276,628 |
| Time deposits | 506,378 | 519,259 | 507,645 | 558,348 | 596,329 |
| Total deposits | 1,195,112 | 1,181,281 | 1,146,451 | 1,131,199 | 1,123,131 |
| Federal funds purchased and securities sold under agreements to repurchase | 138,796 | 166,532 | 119,867 | 108,951 | 107,279 |
| Note payable | 7,000 | 3,000 | 0 | 0 | 0 |
| Other borrowed funds | 3,863 | 3,788 | 4,249 | 724 | 5,853 |
| Accrued expenses and other liabilities | 17,885 | 14,583 | 10,486 | 12,661 | 10,200 |
| Federal Home Loan Bank advances | 365,844 | 285,887 | 271,930 | 272,005 | 275,152 |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 30,495 | 30,482 | 30,468 | 30,455 | 30,442 |
| Total liabilities | 1,758,995 | 1,685,553 | 1,583,451 | 1,555,995 | 1,552,057 |
| Shareholders equity: | 41,209 | 40,994 | 38,822 | 37,722 | 37,453 |

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| | | | | | |
|---------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Common stock, no par value; 30,000,000 shares authorized; | | | | | |
| Treasury stock | (27,180) | (23,631) | (19,462) | (17,397) | (16,798) |
| Other comprehensive income | 6,656 | 8,894 | 7,265 | 1,424 | 3,434 |
| Retained earnings | 115,095 | 113,425 | 109,668 | 107,104 | 104,210 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total shareholders equity | 135,780 | 139,682 | 136,293 | 128,853 | 128,299 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and shareholders equity | \$ 1,894,775 | \$ 1,825,235 | \$ 1,719,744 | \$ 1,684,848 | \$ 1,680,356 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Miscellaneous data: | | | | | |
| Common shares issued | 11,041,263 | 11,024,693 | 10,932,360 | 10,856,360 | 10,832,810 |
| Treasury shares | 1,279,009 | 1,147,849 | 991,589 | 911,689 | 883,494 |
| Bank owned life insurance (in other assets) | \$ 33,086 | \$ 32,677 | \$ 32,268 | \$ 31,858 | \$ 31,449 |
| Loans serviced for others | \$ 1,320,316 | \$ 1,121,372 | \$ 1,047,988 | \$ 936,559 | \$ 812,774 |
| Goodwill | \$ 16,708 | \$ 17,344 | \$ 14,645 | \$ 14,645 | \$ 14,645 |
| Other intangibles | 3,714 | 2,880 | 2,991 | 3,101 | 3,211 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total goodwill and intangibles assets | \$ 20,422 | \$ 20,224 | \$ 17,636 | \$ 17,746 | \$ 17,856 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Mortgage servicing rights (net of allowance) | \$ 11,967 | \$ 10,516 | \$ 10,323 | \$ 10,006 | \$ 8,313 |
| Other servicing assets | 436 | 445 | 456 | 435 | 409 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | \$ 12,403 | \$ 10,961 | \$ 10,779 | \$ 10,441 | \$ 8,722 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Valuation allowance for mortgage servicing rights included above | \$ (3,794) | \$ (3,087) | \$ (2,285) | \$ (910) | \$ (810) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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

| | Dec. 2002 | Sept. 2002 | June 2002 | March 2002 | Dec. 2001 |
|-------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS | | | | | |
| Cash and demand balances due from banks | \$ 35,454 | \$ 35,266 | \$ 32,510 | \$ 35,183 | \$ 44,615 |
| Federal funds sold and other temp. investments | 47,197 | 80,102 | 94,687 | 51,953 | 47,585 |
| Securities: | | | | | |
| Trading | 0 | 0 | 0 | 123 | 99 |
| Available-for-sale | 494,245 | 469,203 | 426,297 | 419,638 | 426,649 |
| Total securities | 494,245 | 469,203 | 426,297 | 419,761 | 426,748 |
| Loans: | | | | | |
| Commercial | 533,996 | 507,412 | 510,444 | 516,807 | 492,110 |
| Consumer | 323,939 | 319,482 | 308,804 | 302,517 | 316,100 |
| Real estate | 313,227 | 281,239 | 278,054 | 290,666 | 292,363 |
| Total loans | 1,171,162 | 1,108,133 | 1,097,302 | 1,109,990 | 1,100,573 |
| Reserve for loan losses | 17,345 | 16,904 | 16,830 | 16,884 | 16,747 |
| Net loans | 1,153,817 | 1,091,229 | 1,080,472 | 1,093,106 | 1,083,826 |
| Premises and equipment | 16,611 | 16,497 | 16,849 | 16,449 | 16,716 |
| Goodwill and intangible assets | 19,676 | 19,400 | 18,435 | 18,544 | 13,378 |
| Servicing assets | 11,832 | 10,184 | 10,672 | 9,369 | 6,931 |
| Other | 46,882 | 48,609 | 47,720 | 37,158 | 45,349 |
| Total assets | \$ 1,825,714 | \$ 1,770,490 | \$ 1,727,642 | \$ 1,681,523 | \$ 1,685,148 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| LIABILITIES: | | | | | |
| Demand deposits (non-interest bearing) | \$ 156,607 | \$ 145,177 | \$ 145,418 | \$ 139,013 | \$ 134,160 |
| Demand deposits (interest bearing) | 100,240 | 105,903 | 98,924 | 99,765 | 99,783 |
| Savings | 411,109 | 405,813 | 370,748 | 308,104 | 259,322 |
| Time deposits | 512,653 | 516,295 | 537,975 | 582,947 | 616,590 |
| Total deposits | 1,180,609 | 1,173,188 | 1,153,065 | 1,129,829 | 1,109,855 |
| Federal funds purchased and securities sold under agreements to repurchase | 165,504 | 135,611 | 128,361 | 114,128 | 130,769 |
| Note payable | 4,107 | 1,190 | 0 | 0 | 0 |
| Borrowed funds | 1,281 | 1,757 | 773 | 3,112 | 2,928 |
| Accrued expenses and other liabilities | 14,306 | 13,211 | 10,269 | 10,157 | 10,794 |
| Federal Home Loan Bank advances | 291,957 | 278,568 | 271,968 | 273,299 | 269,600 |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 30,721 | 30,471 | 30,472 | 30,446 | 29,940 |
| Total liabilities | 1,688,485 | 1,633,996 | 1,594,908 | 1,560,971 | 1,553,886 |
| Shareholders' equity: | | | | | |
| Common stock | 41,153 | 39,522 | 38,421 | 37,568 | 37,438 |
| Treasury shares | (25,050) | (21,641) | (18,291) | (17,281) | (15,924) |
| Other comprehensive income | 7,032 | 7,951 | 4,503 | 4,449 | 7,312 |
| Retained earnings | 114,094 | 110,662 | 108,101 | 105,416 | 102,436 |

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| | | | | | |
|--------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total shareholders' equity | <u>137,229</u> | <u>136,494</u> | <u>132,734</u> | <u>130,152</u> | <u>131,262</u> |
| Total liabilities and shareholders' equity | <u>\$1,825,714</u> | <u>\$1,770,490</u> | <u>\$1,727,642</u> | <u>\$1,691,123</u> | <u>\$1,685,148</u> |

Second Bancorp Incorporated and Subsidiaries
Consolidated Average Balance Sheets
For the Year-to-date period ended:
(Dollars in Thousands)

| | Dec. 2002 | Sept. 2002 | June 2002 | March 2002 | Dec. 2001 |
|-------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS | | | | | |
| Cash and demand balances due from banks | \$ 34,606 | \$ 34,320 | \$ 33,839 | \$ 35,183 | \$ 35,490 |
| Federal funds sold | 68,503 | 75,683 | 73,438 | 51,953 | 31,125 |
| Securities: | | | | | |
| Trading | 40 | 41 | 61 | 123 | 114 |
| Available-for-sale | 452,587 | 438,561 | 422,986 | 419,638 | 392,729 |
| Total securities | 452,627 | 438,602 | 423,047 | 419,761 | 392,843 |
| Loans: | | | | | |
| Commercial | 517,185 | 511,520 | 513,608 | 516,807 | 444,813 |
| Consumer | 313,760 | 310,330 | 305,678 | 302,517 | 316,032 |
| Real estate | 290,832 | 283,285 | 284,325 | 290,666 | 317,351 |
| Total loans | 1,121,777 | 1,105,135 | 1,103,611 | 1,109,990 | 1,078,196 |
| Reserve for loan losses | 16,992 | 16,873 | 16,857 | 16,884 | 15,889 |
| Net loans | 1,104,785 | 1,088,262 | 1,086,754 | 1,093,106 | 1,062,307 |
| Premises and equipment | 16,602 | 16,598 | 16,650 | 16,449 | 17,283 |
| Goodwill and intangible assets | 19,018 | 18,797 | 18,489 | 18,544 | 4,482 |
| Servicing assets | 10,520 | 10,078 | 10,024 | 9,369 | 5,759 |
| Other | 47,495 | 47,702 | 47,242 | 46,758 | 46,679 |
| Total assets | \$ 1,754,156 | \$ 1,730,042 | \$ 1,709,483 | \$ 1,691,123 | \$ 1,595,968 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| EQUITY | | | | | |
| Liabilities: | | | | | |
| Demand deposits (non-interest bearing) | \$ 146,598 | \$ 143,225 | \$ 142,233 | \$ 139,013 | \$ 115,857 |
| Demand deposits (interest bearing) | 101,222 | 101,553 | 99,342 | 99,765 | 90,762 |
| Savings | 374,313 | 361,913 | 339,599 | 308,104 | 242,242 |
| Time deposits | 537,217 | 545,495 | 560,337 | 582,947 | 621,578 |
| Total deposits | 1,159,350 | 1,152,186 | 1,141,511 | 1,129,829 | 1,070,439 |
| Federal funds purchased and securities sold under agreements to repurchase | 136,041 | 126,112 | 121,284 | 114,128 | 116,131 |
| Note payable | 1,335 | 401 | 0 | 0 | 740 |
| Borrowed funds | 1,726 | 1,876 | 1,936 | 3,112 | 2,240 |
| Accrued expenses and other liabilities | 12,000 | 11,223 | 10,213 | 10,157 | 10,161 |
| Federal Home Loan Bank advances | 278,998 | 274,631 | 272,630 | 273,299 | 263,719 |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 30,528 | 30,463 | 30,459 | 30,446 | 7,765 |
| Total liabilities | 1,619,978 | 1,596,892 | 1,578,033 | 1,560,971 | 1,471,195 |
| Shareholders' equity: | | | | | |
| Common stock | 39,177 | 38,511 | 37,997 | 37,568 | 37,192 |
| Treasury shares | (20,590) | (19,087) | (17,789) | (17,281) | (14,989) |
| Net unrealized holding gains | 5,996 | 5,647 | 4,476 | 4,449 | 3,947 |
| Retained earnings | 109,595 | 108,079 | 106,766 | 105,416 | 98,623 |

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| | | | | | |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total shareholders' equity | <u>134,178</u> | <u>133,150</u> | <u>131,450</u> | <u>130,152</u> | <u>124,773</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,754,156</u> | <u>\$ 1,730,042</u> | <u>\$ 1,709,483</u> | <u>\$ 1,691,123</u> | <u>\$ 1,595,968</u> |

Second Bancorp Incorporated and Subsidiaries
Financial Highlights Pro Forma Operating Results
Quarterly Data

(Dollars in thousands, except per share data)

| | <u>Dec. 2002</u> | <u>Sept. 2002</u> | <u>June 2002</u> | <u>March 2002</u> | <u>Dec. 2001</u> |
|---------------------------------------------|------------------|-------------------|------------------|-------------------|------------------|
| Earnings: | | | | | |
| Net interest income | \$ 13,946 | \$ 13,954 | \$ 14,403 | \$ 14,157 | \$ 13,503 |
| Provision for loan losses | 2,350 | 1,573 | 1,303 | 933 | 1,627 |
| Non-interest income | 7,314 | 6,329 | 4,053 | 5,157 | 5,845 |
| Security gains | (67) | 832 | 0 | (173) | 2 |
| Trading account | 0 | 0 | 0 | (20) | 0 |
| Non-interest expense | 12,469 | 11,717 | 11,283 | 11,797 | 11,696 |
| Federal income taxes | 1,577 | 2,208 | 1,517 | 1,708 | 1,495 |
| Net income | \$ 4,797 | \$ 5,617 | \$ 4,353 | \$ 4,683 | \$ 4,532 |
| Per share: | | | | | |
| Basic earnings | \$ 0.49 | \$ 0.57 | \$ 0.44 | \$ 0.47 | \$ 0.45 |
| Diluted earnings | 0.48 | 0.56 | 0.43 | 0.47 | 0.45 |
| Key ratios: (%) | | | | | |
| Return on average assets (ROA) | 1.05 | 1.27 | 1.01 | 1.11 | 1.08 |
| Return on average shareholders equity (ROE) | 13.98 | 16.46 | 13.12 | 14.39 | 13.81 |
| Net interest margin | 3.38 | 3.49 | 3.69 | 3.72 | 3.57 |
| Net overhead | 1.20 | 1.30 | 1.79 | 1.68 | 1.49 |
| Efficiency ratio | 57.27 | 56.35 | 59.49 | 59.40 | 58.74 |

Second Bancorp Incorporated and Subsidiaries
Reconciliation of GAAP vs. Pro Forma Operating Results
Quarterly Data

| | | | | | |
|-----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net income | \$ 3,428 | \$ 5,536 | \$ 4,353 | \$ 4,683 | \$ 4,334 |
| Adjustments to GAAP to reflect Pro Forma Operating Basis: | | | | | |
| Add non-recurring costs: | | | | | |
| Merger costs | 10 | 124 | 0 | 0 | 305 |
| Banking center reconfiguration | 2,096 | 0 | 0 | 0 | 0 |
| Total adjustments | 2,106 | 124 | 0 | 0 | 305 |
| Federal income taxes (benefit) | 737 | 43 | 0 | 0 | 107 |
| Net income | \$ 4,797 | \$ 5,617 | \$ 4,353 | \$ 4,683 | \$ 4,532 |

Second Bancorp Incorporated and Subsidiaries
Financial Highlights Pro Forma Operating Results
Year-to-Date Data

(Dollars in thousands, except per share data)

| | <u>Dec. 2002</u> | <u>Sept. 2002</u> | <u>June 2002</u> | <u>March 2002</u> | <u>Dec. 2001</u> |
|---------------------------------------------|------------------|-------------------|------------------|-------------------|------------------|
| Earnings: | | | | | |
| Net interest income | \$ 56,460 | \$ 42,514 | \$ 28,560 | \$ 14,157 | \$ 50,190 |
| Provision for loan losses | 6,159 | 3,809 | 2,236 | 933 | 4,718 |
| Non-interest income | 22,853 | 15,539 | 9,210 | 5,157 | 18,867 |
| Security gains | 592 | 659 | (173) | (173) | 642 |
| Trading account | (20) | (20) | (20) | (20) | 19 |
| Non-interest expense | 47,266 | 34,797 | 23,080 | 11,797 | 41,634 |
| Federal income taxes | 7,011 | 5,433 | 3,225 | 1,708 | 5,987 |
| Net income | \$ 19,449 | \$ 14,653 | \$ 9,036 | \$ 4,683 | \$ 17,379 |
| Per share: | | | | | |
| Basic earnings | \$ 1.96 | \$ 1.48 | \$ 0.91 | \$ 0.47 | \$ 1.74 |
| Diluted earnings | 1.94 | 1.46 | 0.90 | 0.47 | 1.72 |
| Key ratios: (%) | | | | | |
| Return on average assets (ROA) | 1.11 | 1.13 | 1.06 | 1.11 | 1.09 |
| Return on average shareholders equity (ROE) | 14.49 | 14.67 | 13.75 | 14.39 | 13.93 |
| Net interest margin | 3.56 | 3.63 | 3.70 | 3.72 | 3.49 |
| Net overhead | 1.49 | 1.59 | 1.73 | 1.68 | 1.52 |
| Efficiency ratio | 58.07 | 58.36 | 59.44 | 59.40 | 58.36 |

Second Bancorp Incorporated and Subsidiaries
Reconciliation of GAAP vs. Pro Forma Operating Results
Year-to-Date Data

| | | | | | |
|-----------------------------------------------------------|------------------|------------------|-----------------|-----------------|------------------|
| Net income | \$ 18,000 | \$ 14,572 | \$ 9,036 | \$ 4,683 | \$ 17,080 |
| Adjustments to GAAP to reflect Pro Forma Operating Basis: | | | | | |
| Add non-recurring costs: | | | | | |
| Merger costs | 134 | 124 | 0 | 0 | 305 |
| Banking center reconfiguration | 2,096 | 0 | 0 | 0 | 0 |
| Total adjustments | 2,230 | 124 | 0 | 0 | 305 |
| Federal income taxes (benefit) | 781 | 43 | 0 | 0 | 107 |
| Add: Cumulative effect of accounting change, net of tax | 0 | 0 | 0 | 0 | 101 |
| Net income | \$ 19,449 | \$ 14,653 | \$ 9,036 | \$ 4,683 | \$ 17,379 |

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: January 23, 2003

Second Bancorp Incorporated

/s/ David L. Kellerman

David L. Kellerman, Treasurer

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