

SECOND BANCORP INC

Form 8-K

April 18, 2003

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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: April 17, 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 April 17, 2003, the Company issued the following press release:

**SECOND BANCORP
REPORTS STRONG FIRST QUARTER**

Warren, Ohio, April 17, 2003 **SECOND BANCORP INCORPORATED (Nasdaq SECD , SECDP)** reported first quarter 2003 net income of \$8,661,000, up 84.9% from the \$4,683,000 reported for the same period last year. On a diluted basis, earnings per share for the quarter were \$.89 or nearly 90% above the \$.47 reported a year ago. Earnings for the quarter were positively impacted by banking subsidiary Second National Bank's sale of two banking centers in Jefferson County, Ohio including \$88 million in deposits. That transaction, completed February 7, 2003, produced a \$5.62 million pre-tax gain. Excluding that non-recurring event, earnings for the quarter were \$5,009,000 or \$.52 per diluted share compared to a market consensus estimate of \$.49 per share.

While significantly improved on a GAAP basis, key operating performance ratios for the quarter were mixed in comparison with the same period in 2002. The Company's return on average assets (ROAA) for the quarter was 1.85% (or 1.07% on an operating basis) compared to 1.11% last year and return on average equity (ROAE) climbed to 25.61% (or 14.81% on an operating basis) from 14.39% a year ago. The Company's efficiency ratio on an operating basis was marginally improved at 58.98% compared to 59.40% for first quarter 2002 while its net interest margin for the quarter was compressed by persistent and historically low interest rates to 3.33% from 3.72% a year ago.

Excluding the gain on the Jefferson County branch sale, non-interest income for the quarter was \$8.6 million, a strong 67% ahead of results for the same period last year. That improvement was led by a nearly tripling of the Company's gains on sale of loans primarily reflecting aggressive secondary market activity in mortgages, and service charges on deposit accounts which were

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15.7% higher than a year ago. Earnings attributed to the Company's mortgage lending line of business were also positively effected by continuing growth in the Company's \$1.5 billion mortgage servicing portfolio and a recognized net gain of \$700,000 for the quarter on derivative investments economically hedging fluctuations in the value of mortgage servicing rights due to interest rates.

Non-interest expenses for the quarter grew 16% over the same period last year to \$13.67 million led by increased salary and benefit costs associated largely with the Company's 2002 acquisition of Stouffer-Herzog Insurance Agency, Inc. and increased staffing in our expanding mortgage lending business. That rate of increase in non-interest expenses mirrors the Company's 13% growth in assets over the same period and is significantly less than the 67% growth in non-interest income.

Credit quality remains a focal point for Second Bancorp. Though non-performing loans continue at elevated levels, they have generally stabilized over the last three quarters in the \$19 to \$20 million range or a quarter-end 1.62% of total loans. Net charge-offs for the quarter fell by \$186,000 to \$2,012,000 but quarter-end 90 day past due and accruing loans were 16.4% higher than at the end of fourth quarter 2002. The Company's allowance for loan losses as a percentage of period-end loans was stable at 1.46% compared to 1.51% at year-end 2002.

Commenting on Second Bancorp's prospects for the remainder of the year, Treasurer David L. Kellerman indicated "We expect the local and national economies to remain sluggish and interest rates to remain at historically low levels into the second half of the year. That kind of environment makes double-digit earnings per share growth goals difficult to achieve. We continue to manage our core businesses with an eye toward minimizing risks associated with slowing economic activity and believe our core wealth management and commercial lending businesses are positioned to become strong contributors to our financial success as the economy returns to a more traditional growth pattern. We currently believe that net income for the calendar year on an operating basis will fall within the range of from \$2.08 to \$2.13 per diluted share compared to the \$1.94 we reported last year.

Second Bancorp previously announced a 5.6% increase in its quarterly dividend to \$.19 per share (an annualized \$.76) payable April 30, 2003 to shareholders of record April 15, 2003. That action maintains Second Bancorp's record of having increased its dividend in each of the seventeen years since its incorporation.

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 an eight county area of Northeastern Ohio through subsidiaries Second National Bank and Stouffer-Herzog Insurance Agency, Inc. Additional information about Second Bancorp can be found on the Web at www.secondbancorp.com.

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

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

(Dollars in thousands, except per share data)

	<u>March 2003</u>	<u>Dec. 2002</u>	<u>Sept. 2002</u>	<u>June 2002</u>	<u>March 2002</u>
Earnings:					
Net interest income	\$14,083	\$13,946	\$13,954	\$14,403	\$14,157
Provision for loan losses	2,173	2,350	1,573	1,303	933
Non-interest income	14,211	7,314	6,329	4,053	5,157
Security gains (losses)	51	(67)	832	0	(173)
Trading account losses	0	0	0	0	(20)
Non-interest expense	13,673	14,575	11,841	11,283	11,797
Federal income taxes	3,838	840	2,165	1,517	1,708

Net income
\$8,661 \$3,428 \$5,536 \$4,353 \$4,683

Per share:

Basic earnings

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0.90 0.35 0.56 0.44 0.47

Diluted earnings

0.89 0.34 0.55 0.43 0.47

Common dividends

0.19 0.18 0.18 0.18 0.18

Book value

14.36 13.91 14.14 13.71 12.96

Tangible book value

11.95 11.69 11.99 11.85 11.11

Market value

22.15 26.50 26.73 27.30 24.25

Weighted average shares outstanding:

Basic

9,621,709 9,835,995 9,876,844 9,958,928 9,944,671

Diluted

9,715,561 9,967,373 9,993,241 10,087,003 10,054,758

Period end balance sheet:

Assets

\$1,909,027 \$1,894,775 \$1,825,235 \$1,719,744 \$1,684,848

Securities

539,309 523,669 535,174 448,736 411,897

Total loans

1,215,481 1,167,791 1,153,581 1,092,398 1,114,314

Allowance for loan losses

17,756 17,595 17,443 16,810 16,884

Deposits

1,121,866 1,195,112 1,181,281 1,146,451 1,131,199

Total shareholders equity

136,369 135,780 139,682 136,293 128,853

Tier I capital

137,595 138,000 139,983 141,011 139,474

Tier I ratio

10.5% 10.8% 10.7% 11.9% 11.3%

Total capital

154,010 153,925 156,401 155,799 154,854

Total capital ratio

11.7% 12.1% 11.9% 13.2% 12.6%

Total risk-adjusted assets

1,311,849 1,272,335 1,312,414 1,181,029 1,228,918

Tier I leverage ratio

7.5% 7.7% 8.4% 8.4% 8.3%

Average balance sheet:

Assets

\$1,869,524 \$1,825,714 \$1,770,928 \$1,727,642 \$1,691,123

Earning assets

1,750,900 1,712,604 1,657,438 1,618,286 1,581,704

Loans

1,177,617 1,171,162 1,108,133 1,097,302 1,109,990

Deposits

1,135,681 1,180,609 1,173,188 1,153,065 1,129,829

Shareholders equity

135,254 137,229 136,494 132,734 130,152

Key ratios: (%)

Return on average assets (ROA)

1.85 0.75 1.25 1.01 1.11

Return on average shareholders equity (ROE)

25.61 9.99 16.22 13.12 14.39

Net interest margin

3.33 3.38 3.49 3.69 3.72

Net overhead

(0.12) 1.70 1.33 1.79 1.68

Efficiency ratio

47.48 66.94 56.94 59.49 59.40

Credit quality:

Non-accrual loans

\$12,709 \$13,123 \$12,756 \$6,287 \$5,313

Restructured loans

374 378 259 197 0

90 day past due and accruing

6,623 5,692 6,995 6,011 6,257

Non-performing loans

19,706 19,193 20,010 12,495 11,570

Other real estate owned

1,270 1,371 1,593 1,644 1,423

Non-performing assets

\$20,976 \$20,564 \$21,603 \$14,139 \$12,993

Charge-offs

\$2,213 \$2,558 \$1,116 \$1,625 \$1,285

Recoveries

201 360 176 248 541

Net charge-offs

\$2,012 \$2,198 \$940 \$1,377 \$744

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

1.46 1.51 1.51 1.54 1.52

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

0.68 0.75 0.34 0.50 0.27

Non-performing loans as a percent of loans

1.62 1.64 1.73 1.14 1.04

Non-performing assets as a percent of assets

1.10 1.09 1.18 0.82 0.77

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

(Dollars in thousands, except per share data)

<u>March 2003</u>	<u>Dec. 2002</u>	<u>Sept. 2002</u>	<u>June 2002</u>	<u>March 2002</u>
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Earnings:

Net interest income	\$14,083	\$56,460	\$42,514	\$28,560	\$14,157
Provision for loan losses	2,173	6,159	3,809	2,236	933
Non-interest income	14,211	22,853	15,539	9,210	5,157
Security gains (losses)	51	592	659	(173)	(173)
Trading account losses	0	(20)	(20)	(20)	(20)
Non-interest expense	13,673	49,496	34,921	23,080	11,797
Federal income taxes	3,838	6,230	5,390	3,225	1,708

Net income
\$8,661 \$18,000 \$14,572 \$9,036 \$4,683

Per share:

Basic earnings

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0.90	1.82	1.47	0.91	0.47
Diluted earnings				
0.89	1.79	1.45	0.90	0.47
Common dividends				
0.19	0.72	0.54	0.36	0.18
Book value				
14.36	13.91	14.14	13.71	12.96
Tangible book value				
11.95	11.69	11.99	11.85	11.11
Market value				
22.15	26.50	26.73	27.30	24.25

Weighted average shares outstanding:

Basic				
9,621,709	9,905,832	9,929,276	9,948,346	9,944,671
Diluted				
9,715,561	10,040,001	10,051,077	10,071,366	10,054,758

Period end balance sheet:

Assets				
\$1,909,027	\$1,894,775	\$1,825,235	\$1,719,744	\$1,684,848
Securities				
539,309	523,669	535,174	448,736	411,897
Total loans				
1,215,481	1,167,791	1,153,581	1,092,398	1,114,314
Allowance for loan losses				
17,756	17,595	17,443	16,810	16,884
Deposits				
1,121,866	1,195,112	1,181,281	1,146,451	1,131,199
Total shareholders equity				
136,369	135,780	139,682	136,293	128,853
Tier I capital				
137,595	138,000	139,983	141,011	139,474
Tier I ratio				
10.5%	10.8%	10.7%	11.9%	11.3%
Total capital				
154,010	153,925	156,401	155,799	154,854
Total capital ratio				
11.7%	12.1%	11.9%	13.2%	12.6%
Total risk-adjusted assets				
1,311,849	1,272,335	1,312,414	1,181,029	1,228,918
Tier I leverage ratio				
7.5%	7.7%	8.4%	8.4%	8.3%

Average balance sheet:

Assets				
\$1,869,524	\$1,754,156	\$1,730,190	\$1,709,483	\$1,691,123
Earning assets				
1,750,900	1,642,907	1,619,420	1,600,096	1,581,704
Loans				
1,177,617	1,121,777	1,105,135	1,103,611	1,109,990
Deposits				
1,135,681	1,159,350	1,152,186	1,141,511	1,129,829
Shareholders equity				
135,254	134,178	133,150	131,450	130,152

Key ratios: (%)

Return on average assets (ROA)				
1.85	1.03	0.84	0.53	0.28
Return on average shareholders equity (ROE)				
25.61	13.42	10.94	6.87	3.60
Net interest margin				

3.33 3.56 3.63 3.70 3.72
Net overhead
(0.12) 1.62 1.60 1.73 1.68
Efficiency ratio
47.48 60.81 58.57 59.44 59.40

Credit quality:

Non-accrual loans
\$12,709 \$13,123 \$12,756 \$6,287 \$5,313
Restructured loans
374 378 259 197 0
90 day past due and accruing
6,623 5,692 6,995 6,011 6,257

Non-performing loans
19,706 19,193 20,010 12,495 11,570
Other real estate owned
1,270 1,371 1,593 1,644 1,423

Non-performing assets
\$20,976 \$20,564 \$21,603 \$14,139 \$12,993

Charge-offs
\$2,213 \$6,584 \$4,026 \$2,910 \$1,285

Recoveries

201 1,325 965 789 541

Net charge-offs

\$2,012 \$5,259 \$3,061 \$2,121 \$744

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

1.46 1.51 1.51 1.54 1.52

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

0.68 0.47 0.37 0.38 0.27

Non-performing loans as a percent of loans

1.62 1.64 1.73 1.14 1.04

Non-performing assets as a percent of assets

1.10 1.09 1.18 0.82 0.77

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

(Dollars in thousands, except per share data)

	<u>March 2003</u>	<u>Dec. 2002</u>	<u>Sept. 2002</u>	<u>June 2002</u>	<u>March 2002</u>
<u>INTEREST INCOME</u>					
Loans (including fees):					
Taxable					
\$18,605	\$19,637	\$19,598	\$19,965	\$20,471	
Exempt from federal income taxes					
211	219	227	233	243	
Securities:					
Taxable					
6,234	5,566	5,963	5,797	5,322	
Exempt from federal income taxes					
728	735	722	715	774	
Federal funds sold and other temp. investments					
123	154	324	394	213	
Total interest income					
25,901	26,311	26,834	27,104	27,023	
<u>INTEREST EXPENSE</u>					
Deposits					
5,779	6,771	7,526	7,429	7,674	
Federal funds purchased and securities sold under agreements to repurchase					
581	700	597	636	566	
Note Payable					
63	28	10	0	0	
Other borrowed funds					
3	14	10	2	16	
Federal Home Loan Bank advances					
4,659	4,119	4,003	3,901	3,877	
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust					
733	733	734	733	733	
<hr/>					
<hr/>					
<hr/>					
<hr/>					
<hr/>					
<hr/>					
Total interest expense					
11,818	12,365	12,880	12,701	12,866	

Net interest income
 14,083 13,946 13,954 14,403 14,157
 Provision for loan losses
 2,173 2,350 1,573 1,303 933

Net interest income after provision for loan losses
 11,910 11,596 12,381 13,100 13,224

NON-INTEREST INCOME

Service charges on deposit accounts
 1,527 1,587 1,505 1,411 1,320
 Trust fees
 609 637 596 696 786
 Gain on sale of loans
 4,342 5,462 2,421 1,709 1,544
 Trading account losses
 0 0 0 0 (20)
 Security gains (losses)
 51 (67) 832 0 (173)
 Gain on sale of banking centers
 5,619 0 0 0 0
 Other operating income
 2,114 (372) 1,807 237 1,507
 Total non-interest income
 14,262 7,247 7,161 4,053 4,964

NON-INTEREST EXPENSE

Salaries and employee benefits
 7,604 7,217 6,494 6,325 6,309

Net occupancy
 1,199 1,099 1,119 1,125 1,137

Equipment
 1,039 742 931 1,023 1,202

Professional services
 767 648 563 443 485

Assessment on deposits and other taxes
 392 354 384 330 329

Amortization of intangible assets
 118 144 110 111 110

Merger costs
 0 10 124 0 0

Banking center reconfiguration
 0 2,096 0 0 0

Other operating expenses
 2,554 2,265 2,116 1,926 2,225

Total non-interest expense
 13,673 14,575 11,841 11,283 11,797

Income before federal income taxes
 12,499 4,268 7,701 5,870 6,391

Income tax expense
 3,838 840 2,165 1,517 1,708

Income before accounting change
\$8,661 \$3,428 \$5,536 \$4,353 \$4,683

NET INCOME PER COMMON SHARE:

Basic
\$0.90 \$0.35 \$0.56 \$0.44 \$0.47

Diluted
\$0.89 \$0.34 \$0.55 \$0.43 \$0.47

Weighted average common shares outstanding:

Basic
9,621,709 9,835,995 9,876,844 9,958,928 9,944,671

Diluted
9,715,561 9,967,373 9,993,241 10,087,003 10,054,758

Note: Fully taxable equivalent adjustment
\$506 \$514 \$511 \$510 \$548

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Second Bancorp Incorporated and Subsidiaries
Consolidated Statements of Income
Year-to-Date Data (Dollars in thousands, except per share data)

	March 2003	Dec. 2002	Sept. 2002	June 2002	March 2002
<u>INTEREST INCOME</u>					
Loans (including fees):					
Taxable					
\$18,605	\$79,671	\$60,034	\$40,436	\$20,471	
Exempt from federal income taxes					
211	922	703	476	243	
Securities:					
Taxable					
6,234	22,648	17,082	11,119	5,322	
Exempt from federal income taxes					
728	2,946	2,211	1,489	774	
Federal funds sold and other temp. investments					
123	1,085	931	607	213	
<hr/>					
<hr/>					
<hr/>					
<hr/>					
<hr/>					
Total interest income					
25,901	107,272	80,961	54,127	27,023	
<u>INTEREST EXPENSE</u>					
Deposits					
5,779	29,400	22,629	15,103	7,674	
Federal funds purchased and securities sold under agreements to repurchase					
581	2,499	1,799	1,202	566	
Note Payable					
63	38	10	0	0	
Other borrowed funds					
3	42	28	18	16	
Federal Home Loan Bank advances					
4,659	15,900	11,781	7,778	3,877	
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust					
733	2,933	2,200	1,466	733	
<hr/>					

Total interest expense
 11,818 50,812 38,447 25,567 12,866

Net interest income
 14,083 56,460 42,514 28,560 14,157
 Provision for loan losses
 2,173 6,159 3,809 2,236 933

Net interest income after provision for loan losses
 11,910 50,301 38,705 26,324 13,224

NON-INTEREST INCOME

Service charges on deposit accounts
 1,527 5,823 4,236 2,731 1,320
 Trust fees
 609 2,715 2,078 1,482 786
 Gain on sale of loans
 4,342 11,136 5,674 3,253 1,544
 Trading account losses
 0 (20) (20) (20) (20)
 Security gains (losses)
 51 592 659 (173) (173)
 Gain on sale of banking centers
 5,619 0 0 0 0
 Other operating income
 2,114 3,179 3,551 1,744 1,507

Total non-interest income
14,262 23,425 16,178 9,017 4,964

NON-INTEREST EXPENSE

Salaries and employee benefits
7,604 26,345 19,128 12,634 6,309

Net occupancy
1,199 4,480 3,381 2,262 1,137

Equipment
1,039 3,898 3,156 2,225 1,202

Professional services
767 2,139 1,491 928 485

Assessment on deposits and other taxes
392 1,397 1,043 659 329

Amortization of intangible assets
118 475 331 221 110

Merger costs
0 134 124 0 0

Banking center reconfiguration
0 2,096 0 0 0

Other operating expenses
2,554 8,532 6,267 4,151 2,225

Total non-interest expense
13,673 49,496 34,921 23,080 11,797

Income before federal income taxes
 12,499 24,230 19,962 12,261 6,391
 Income tax expense
 3,838 6,230 5,390 3,225 1,708

Net income
 \$8,661 \$18,000 \$14,572 \$9,036 \$4,683

NET INCOME PER COMMON SHARE:

Basic
 \$0.90 \$1.82 \$1.47 \$0.91 \$0.47
 Diluted
 \$0.89 \$1.79 \$1.45 \$0.90 \$0.47
 Weighted average common shares outstanding:

Basic
 9,621,709 9,905,832 9,929,276 9,948,346 9,944,671
 Diluted
 9,715,561 10,040,001 10,051,077 10,071,366 10,054,758
 Note: Fully taxable equivalent adjustment
 \$506 \$2,083 \$1,569 \$1,058 \$548

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

March 31	December 31	Sept. 30	June 30	March 31
2003	2002	2002	2002	2002

ASSETS

Cash and due from banks

\$43,334 \$60,822 \$40,815 \$36,230 \$36,397

Federal funds sold and other temp. investments

29,523 61,449 15,033 64,194 42,631

Securities available-for-sale (at market value)

539,309 523,669 535,174 448,736 411,897

Loans:

Commercial

558,499 542,693 520,175 485,652 500,604

Consumer

325,819 322,840 325,088 333,178 317,858

Real estate

331,163 302,258 308,318 273,568 295,852

Total loans

1,215,481 1,167,791 1,153,581 1,092,398 1,114,314

Less allowance for loan losses

17,756 17,595 17,443 16,810 16,884

Net loans

1,197,725 1,150,196 1,136,138 1,075,588 1,097,430

Premises and equipment	16,125	16,632	16,333	16,592	16,737
Accrued interest receivable	9,414	8,762	9,582	8,724	9,596
Goodwill and intangible assets	20,343	20,422	20,224	17,636	17,746
Servicing assets	13,743	12,403	10,961	10,779	10,441
Other assets	39,511	40,420	40,975	41,265	41,973

Total assets	\$1,909,027	\$1,894,775	\$1,825,235	\$1,719,744	\$1,684,848
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LIABILITIES AND SHAREHOLDERS EQUITY

Deposits:

Demand non-interest bearing	\$155,892	\$179,714	\$153,341	\$145,006	\$138,107
Demand interest bearing	147,747	103,583	98,359	98,893	99,284
Savings	363,443	405,437	410,322	394,907	335,460
Time deposits	454,784	506,378	519,259	507,645	558,348

Total deposits	1,121,866	1,195,112	1,181,281	1,146,451	1,131,199
Federal funds purchased and securities sold under agreements to repurchase	206,069	138,796	166,532	119,867	108,951
Note payable	14,000	7,000	3,000	0	0
Other borrowed funds	155	3,863	3,788	4,249	724
Accrued expenses and other liabilities	20,089	17,885	14,583	10,486	12,661
Federal Home Loan Bank advances	379,971	365,844	285,887	271,930	272,005
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust	30,508	30,495	30,482	30,468	30,455

Total liabilities	1,772,658	1,758,995	1,685,553	1,583,451	1,555,995
Shareholders' equity:					
Common stock, no par value; 30,000,000 shares authorized;	41,745	41,209	40,994	38,822	37,722
Treasury stock	(33,740)	(27,180)	(23,631)	(19,462)	(17,397)
Other comprehensive income	6,410	6,656	8,894	7,265	1,424
Retained earnings	121,954	115,095	113,425	109,668	107,104

Total shareholders' equity	136,369	135,780	139,682	136,293	128,853
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Total liabilities and shareholders' equity
\$1,909,027 \$1,894,775 \$1,825,235 \$1,719,744 \$1,684,848

Miscellaneous data:

Common shares issued
11,041,083 11,041,263 11,024,693 10,932,360 10,856,360

Treasury shares
1,542,784 1,279,009 1,147,849 991,589 911,689

Bank owned life insurance (in other assets)
\$33,489 \$33,086 \$32,677 \$32,268 \$31,858

Loans serviced for others
\$1,463,926 \$1,320,316 \$1,121,372 \$1,047,988 \$936,559

Goodwill
\$16,647 \$16,708 \$17,344 \$14,645 \$14,645

Other intangibles
3,696 3,714 2,880 2,991 3,101

Total goodwill and intangible assets
\$20,343 \$20,422 \$20,224 \$17,636 \$17,746

Mortgage servicing rights (net of allowance)
\$13,299 \$11,967 \$10,516 \$10,323 \$10,006
Other servicing assets
444 436 445 456 435

\$13,743 \$12,403 \$10,961 \$10,779 \$10,441

Valuation allowance for mortgage servicing rights included above
\$(4,783) \$(3,794) \$(3,087) \$(2,285) \$(910)

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

<u>March</u> <u>2003</u>	<u>Dec.</u> <u>2002</u>	<u>Sept.</u> <u>2002</u>	<u>June</u> <u>2002</u>	<u>March</u> <u>2002</u>
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ASSETS

Cash and demand balances due from banks	\$38,392	\$35,454	\$35,266	\$32,510	\$35,183
Federal funds sold and other temp. investments	44,849	47,197	80,102	94,687	51,953
Securities:					

Trading	0	0	0	0	123
Available-for-sale	528,434	494,245	469,203	426,297	419,638

Total securities	528,434	494,245	469,203	426,297	419,761
Loans:					

Commercial	551,882	533,996	507,412	510,444	516,807
Consumer	324,729	323,939	319,482	308,804	302,517
Real estate	301,006	313,227	281,239	278,054	290,666

Total loans

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1,177,617	1,171,162	1,108,133	1,097,302	1,109,990
Allowance for loan losses				
17,566	17,345	16,904	16,830	16,884

Net loans				
1,160,051	1,153,817	1,091,229	1,080,472	1,093,106
Premises and equipment				
16,508	16,611	16,497	16,849	16,449
Goodwill and intangible assets				
20,461	19,676	19,400	18,435	18,544
Servicing assets				
13,310	11,832	10,184	10,672	9,369
Other				
47,519	46,882	48,609	47,720	37,158

Total assets				
\$1,869,524	\$1,825,714	\$1,770,490	\$1,727,642	\$1,681,523

LIABILITIES AND SHAREHOLDERS EQUITY

Liabilities:

Demand deposits (non-interest bearing)				
\$153,223	\$156,607	\$145,177	\$145,418	\$139,013

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Demand deposits (interest bearing)
 117,469 100,240 105,903 98,924 99,765
 Savings
 382,673 411,109 405,813 370,748 308,104
 Time deposits
 482,316 512,653 516,295 537,975 582,947

Total deposits
 1,135,681 1,180,609 1,173,188 1,153,065 1,129,829
 Federal funds purchased and securities sold under agreements to
 repurchase
 164,329 165,504 135,611 128,361 114,128
 Note payable
 9,733 4,107 1,190 0 0
 Borrowed funds
 455 1,281 1,757 773 3,112
 Accrued expenses and other liabilities
 17,863 14,306 13,211 10,269 10,157
 Federal Home Loan Bank advances
 375,710 291,957 278,568 271,968 273,299
 Corporation-obligated mandatorily redeemable capital securities of
 subsidiary trust
 30,499 30,721 30,471 30,472 30,446

Total liabilities
 1,734,270 1,688,485 1,633,996 1,594,908 1,560,971
 Shareholders equity:

Common stock
 41,757 41,153 39,522 38,421 37,568
 Treasury shares
 (30,666) (25,050) (21,641) (18,291) (17,281)
 Other comprehensive income
 6,778 7,032 7,951 4,503 4,449
 Retained earnings
 117,385 114,094 110,662 108,101 105,416

Total shareholders' equity
135,254 137,229 136,494 132,734 130,152

Total liabilities and shareholders' equity
\$1,869,524 \$1,825,714 \$1,770,490 \$1,727,642 \$1,691,123

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

March 2003	Dec. 2002	Sept. 2002	June 2002	March 2002
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ASSETS

Cash and demand balances due from banks	\$38,392	\$34,606	\$34,320	\$33,839	\$35,183
Federal funds sold	44,849	68,503	75,683	73,438	51,953
Securities:					
Trading	0	40	41	61	123
Available-for-sale	528,434	452,587	438,561	422,986	419,638

Total securities	528,434	452,627	438,602	423,047	419,761
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Loans:					
Commercial	551,882	517,185	511,520	513,608	516,807
Consumer	324,729	313,760	310,330	305,678	302,517
Real estate	301,006	290,832	283,285	284,325	290,666

Total loans

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1,177,617	1,121,777	1,105,135	1,103,611	1,109,990
Allowance for loan losses				
17,566	16,992	16,873	16,857	16,884

Net loans				
1,160,051	1,104,785	1,088,262	1,086,754	1,093,106
Premises and equipment				
16,508	16,602	16,598	16,650	16,449
Goodwill and intangible assets				
20,461	19,018	18,797	18,489	18,544
Servicing assets				
13,310	10,520	10,078	10,024	9,369
Other				
47,519	47,495	47,702	47,242	46,758

Total assets				
\$1,869,524	\$1,754,156	\$1,730,042	\$1,709,483	\$1,691,123

LIABILITIES AND SHAREHOLDERS EQUITY

Liabilities:

Demand deposits (non-interest bearing)				
\$153,223	\$146,598	\$143,225	\$142,233	\$139,013

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Demand deposits (interest bearing)
 117,469 101,222 101,553 99,342 99,765
 Savings
 382,673 374,313 361,913 339,599 308,104
 Time deposits
 482,316 537,217 545,495 560,337 582,947

Total deposits
 1,135,681 1,159,350 1,152,186 1,141,511 1,129,829
 Federal funds purchased and securities sold under agreements to
 repurchase
 164,329 136,041 126,112 121,284 114,128
 Note payable
 9,733 1,335 401 0 0
 Borrowed funds
 455 1,726 1,876 1,936 3,112
 Accrued expenses and other liabilities
 17,863 12,000 11,223 10,213 10,157
 Federal Home Loan Bank advances
 375,710 278,998 274,631 272,630 273,299
 Corporation-obligated mandatorily redeemable capital securities of
 subsidiary trust
 30,499 30,528 30,463 30,459 30,446

Total liabilities
 1,734,270 1,619,978 1,596,892 1,578,033 1,560,971
 Shareholders equity:
 Common stock
 41,757 39,177 38,511 37,997 37,568
 Treasury shares
 (30,666) (20,590) (19,087) (17,789) (17,281)
 Net unrealized holding gains
 6,778 5,996 5,647 4,476 4,449
 Retained earnings
 117,385 109,595 108,079 106,766 105,416

Total shareholders' equity
135,254 134,178 133,150 131,450 130,152

Total liabilities and shareholders' equity
\$1,869,524 \$1,754,156 \$1,730,042 \$1,709,483 \$1,691,123

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**Second Bancorp Incorporated and Subsidiaries
Financial Highlights Non-GAAP Operating Results
Quarterly Data**

(Dollars in thousands, except per share data)

	<u>March</u>	<u>Dec.</u>	<u>Sept.</u>	<u>June</u>	<u>March</u>
	2003	2002	2002	2002	2002
Earnings:					
Net interest income					
\$14,083	\$13,946	\$13,954	\$14,403	\$14,157	
Provision for loan losses					
2,173	2,350	1,573	1,303	933	
Non-interest income					
8,592	7,314	6,329	4,053	5,157	
Security gains (losses)					
51	(67)	832	0	(173)	
Trading account losses					
0	0	0	0	(20)	
Non-interest expense					
13,673	12,469	11,717	11,283	11,797	
Federal income taxes					
1,871	1,577	2,208	1,517	1,708	

Net income
\$5,009 \$4,797 \$5,617 \$4,353 \$4,683

Per share:

Basic earnings

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\$0.52 \$0.49 \$0.57 \$0.44 \$0.47

Diluted earnings

0.52 0.48 0.56 0.43 0.47

Key ratios: (%)

Return on average assets (ROA)

1.07 1.05 1.27 1.01 1.11

Return on average shareholders' equity (ROE)

14.81 13.98 16.46 13.12 14.39

Net interest margin

3.33 3.38 3.49 3.69 3.72

Net overhead

1.16 1.20 1.30 1.79 1.68

Efficiency ratio

58.98 57.27 56.35 59.49 59.40

**Second Bancorp Incorporated and Subsidiaries
Reconciliation of GAAP vs. Non-GAAP Operating Results
Quarterly Data**

Net income	\$8,661	\$3,428	\$5,536	\$4,353	\$4,683
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Adjustments to GAAP to reflect Non-GAAP

Operating Basis:

Add non-recurring costs:

Sale of banking centers

(5,619) 0 0 0 0

Merger costs

0 10 124 0 0

Banking center reconfiguration

0 2,096 0 0 0

Total adjustments

(5,619) 2,106 124 0 0

Federal income taxes (benefit)

(1,967) 737 43 0 0

Net income

\$5,009 \$4,797 \$5,617 \$4,353 \$4,683

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Second Bancorp Incorporated and Subsidiaries Financial Highlights Non-GAAP Operating Results
(Dollars in thousands, except per share data)

	<u>March</u>	<u>Dec.</u>	<u>Sept.</u>	<u>June</u>	<u>March</u>
	2003	2002	2002	2002	2002
Earnings:					
Net interest income					
\$14,083 \$56,460 \$42,514 \$28,560 \$14,157					
Provision for loan losses					
2,173 6,159 3,809 2,236 933					
Non-interest income					
8,592 22,853 15,539 9,210 5,157					
Security gains (losses)					
51 592 659 (173) (173)					
Trading account losses					
0 (20) (20) (20) (20)					
Non-interest expense					
13,673 47,266 34,797 23,080 11,797					
Federal income taxes					
1,871 7,011 5,433 3,225 1,708					
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<hr/>					
Net income					
\$5,009 \$19,449 \$14,653 \$9,036 \$4,683					
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Per share:					
Basic earnings					
\$0.52 \$1.96 \$1.48 \$0.91 \$0.47					
Diluted earnings					
0.52 1.94 1.46 0.90 0.47					
Key ratios: (%)					

Return on average assets (ROA)
 1.07 1.11 1.13 1.06 1.11
 Return on average shareholders' equity (ROE)
 14.81 14.49 14.67 13.75 14.39
 Net interest margin
 3.33 3.56 3.63 3.70 3.72
 Net overhead
 1.16 1.49 1.59 1.73 1.68
 Efficiency ratio
 58.98 58.07 58.36 59.44 59.40

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

Net income
 \$8,661 \$18,000 \$14,572 \$9,036 \$4,683
 Adjustments to GAAP to reflect Non-GAAP Operating
 Basis:

Add non-recurring costs:

Sale of banking centers
 (5,619) 0 0 0 0
 Merger costs
 0 134 124 0 0
 Banking center reconfiguration
 0 2,096 0 0 0

Total adjustments
 (5,619) 2,230 124 0 0
 Federal income taxes (benefit)
 (1,967) 781 43 0 0

Net income
\$5,009 \$19,449 \$14,653 \$9,036 \$4,683

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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: April 17, 2003

Second Bancorp Incorporated

/s/ David L. Kellerman

David L. Kellerman, Treasurer

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