

SECOND BANCORP INC

Form 8-K

April 23, 2002

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 22, 2002

**Second Bancorp Incorporated**

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(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 18, 2002, the Company issued the following press release:

**SECOND BANCORP MAINTAINS EARNINGS MOMENTUM**

**Warren, Ohio, April 18, 2002** SECOND BANCORP INCORPORATED (Nasdaq **SECD** , **SECDP** ) reported first quarter 2002 net income of \$4,683,000, 14.6% higher than the \$4,087,000 reported for the same period last year. On a diluted basis, earnings per share for the quarter were \$.47 or 14.6% above the \$.41 reported a year ago. Excluding securities activity for the comparable quarters, operating income for the first quarter 2002 was \$4,808,000 (\$.48 per diluted share), 26.3% higher than the \$3,806,000 (\$.38 per diluted share) reported last year.

Key performance ratios also showed improvement over the same period in 2001. The Company's return on average assets (ROA) for the quarter was 1.11% compared to 1.08% last year and return on average equity (ROE) climbed to 14.39% from 14.09% a year ago. An ongoing focus on fee income generation helped continue the Company's recent trend of improving efficiency ratio, which finished the quarter at 59.46% compared to 60.94% for first quarter 2001.

Net interest margin was a significant contributor to the Company's earnings performance for the quarter improving to 3.72% from 3.43% a year ago. Second Bancorp Treasurer David L. Kellerman stated "We have begun to see some of the margin growth we positioned ourselves for when our balance sheet was restructured during the third quarter of 2000. Last year's rapidly and persistently falling interest rate environment delayed that margin improvement but recent rate stability has allowed our variable rate assets and liabilities to fully re-price and has begun to produce the anticipated earnings boost. A targeted improvement in core deposit balances and mix over the last year has also provided a solid base for margin expansion and expected growth in loan outstandings as the economy strengthens should continue to promote an upward trending margin."

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Non-interest income for the quarter was \$5.0 million, 8.9% ahead of results for the same period last year. The improvement was led by gains on sale of loans reflecting the Company's aggressive secondary market activity in mortgages. Though somewhat weaker than fourth quarter 2001 results due to a return to more normal mortgage lending levels, gains on sale of loans for the quarter nearly doubled results for the same period a year ago. Non-interest income growth was restrained during the quarter by a \$193,000 loss in securities and trading activity compared to a \$587,000 gain a year ago. Excluding securities transactions for both quarters, non-interest income for the quarter was 29.8% higher than was reported for the same period last year.

Non-interest expenses for the first quarter were \$11.8 million, up from \$10.1 million a year ago but lower than the \$12.0 million reported for fourth quarter 2001. The year-over-year increase, partially resulting from the Company's acquisition of Commerce Exchange Corporation in October 2001, was led by salary and employee benefit costs, which increased by \$1.1 million and by higher professional service and other operating costs.

Credit quality continues to be a focal point for the Company with non-performing assets increasing by \$3 million over year-ago levels. Despite the increase in non-performing loans reflecting the slow down in economic activity during the last several quarters, net loan charge-offs for the three-month period were held to \$744,000 (.27% of average loans outstanding) and the Company's loan loss reserve remained at a solid 1.52% of quarter-end loans.

President and Chief Executive Officer Rick L. Blossom, commenting on first quarter performance and the prospects for the remainder of the year indicated, "The just completed reporting period continues our six quarter trend of improved earnings. We continue to be convinced that we have the right plan and the right people in place to meet future challenges and grow the value of this franchise. The positive performance of our stock during the quarter suggests that the markets are recognizing our potential and the progress we have made toward reaching our aggressive medium-to-long term goals."

Second Bancorp previously announced a 5.9% increase in its quarterly dividend to \$.18 per share (an annualized \$.72) payable April 30, 2002 to record holders as of April 15, 2002. That action maintains Second Bancorp's record of having increased its dividend in each of the sixteen years since its incorporation.

In an unrelated matter, the Company announced the retirements of Alan G. Brant and John C. Gibson as active members of Second Bancorp's Board of Directors. Mr. Blossom further stated "Al Brant, Second Bancorp's former President and CEO, and Jack Gibson have both served the Company and its subsidiary Second National Bank with great distinction for many years. Though their counsel and experience will be missed, I am glad to announce that both have been appointed to the honorary position of Director Emeritus of the Company. We are gratified that both of them will be maintaining their association with Second Bancorp."

**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 \$1.7 billion financial holding company providing a full range of commercial and consumer banking, trust, insurance and investment products and services to communities in a nine county area of Northeastern and East-Central Ohio through subsidiary Second National Bank's network of 37 retail banking centers.

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](http://www.secondnationalbank.com).

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

**Second Bancorp Incorporated and Subsidiaries**  
**Financial Highlights**  
**Quarterly Data**  
(Dollars in thousands, except per share data)

	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>	<u>March 2001</u>
<b>Earnings:</b>					
Net interest income	\$14,157	\$13,503	\$12,473	\$12,298	\$11,916
Provision for loan losses	933	1,627	988	1,342	761
Non-interest income	5,157	5,845	4,420	4,630	3,972
Security (losses) gains	(173)	2	123	(12)	529
Trading account (losses) gains	(20)	0	(52)	13	58
Non-interest expense	11,797	12,001	10,082	9,805	10,051
Federal income taxes	1,708	1,388	1,493	1,524	1,475
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<b>Income before accounting change</b>	<b>4,683</b>	<b>4,334</b>	<b>4,401</b>	<b>4,258</b>	<b>4,188</b>
Cumulative effect of accounting change, net of tax	0	0	0	0	(101)
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<b>Net income</b>	<b>\$4,683</b>	<b>\$4,334</b>	<b>\$4,401</b>	<b>\$4,258</b>	<b>\$4,087</b>

**Per share:**

Basic earnings before accounting change

n/a n/a n/a n/a \$0.42

Basic earnings

0.47 0.43 0.43 0.42 0.41

Diluted earnings before accounting change

n/a n/a n/a n/a 0.42

Diluted earnings

0.47 0.43 0.43 0.42 0.41

Common dividends

0.18 0.17 0.17 0.17 0.17

Book value

12.96 12.90 13.04 12.29 12.20

Tangible book value

11.11 11.10 12.90 12.15 12.04

Market value

24.25 21.61 20.50 22.90 17.50

**Weighted average shares outstanding:**

Basic

9,944,671 9,988,137 10,033,365 10,007,904 10,020,097

Diluted

10,054,758 10,075,690 10,117,705 10,103,060 10,046,562

**Period end balance sheet:**

Assets

\$1,684,848 \$1,680,356 \$1,609,019 \$1,578,370 \$1,571,831

Securities

411,897 417,496 407,004 380,262 377,561

Total loans

1,114,314 1,121,892 1,060,778 1,075,039 1,076,284

Reserve for loan losses

16,884 16,695 15,429 15,609 15,778

Deposits

1,131,199 1,123,131 1,057,291 1,059,758 1,061,556

Total shareholders equity

128,853 128,299 130,766 123,107 121,968

Tier I capital

139,474 137,395 149,171 119,857 117,497

Tier I ratio

11.3% 11.3% 13.1% 10.4% 10.3%

Total capital

154,854 152,550 163,385 134,302 131,768

Total capital ratio

12.6% 12.6% 14.4% 11.6% 11.5%

Total risk-adjusted assets

1,228,918 1,210,858 1,135,902 1,155,561 1,141,685

Tier I leverage ratio

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8.3% 8.2% 9.4% 7.6% 7.6%

**Average balance sheet:**

Assets

\$1,691,123 \$1,685,148 \$1,582,934 \$1,570,016 \$1,544,368

Earning assets

1,581,704 1,574,906 1,494,932 1,483,598 1,453,969

Loans

1,109,990 1,100,573 1,064,655 1,074,936 1,072,460

Deposits

1,129,829 1,109,855 1,061,537 1,063,415 1,046,349

Shareholders equity

130,152 131,262 126,950 121,840 118,879

**Key ratios: (%) (1)**

Return on average assets (ROA)

1.11 1.08 1.11 1.08 1.08

Return on average shareholders equity (ROE)

14.39 13.81 13.87 13.98 14.09

Net interest margin

3.72 3.57 3.49 3.47 3.43

Net overhead

1.68 1.49 1.53 1.39 1.66

Efficiency ratio

59.46 58.74 57.89 56.00 60.94

**Credit quality:**

Non-accrual loans

\$5,313 \$5,004 \$4,273 \$4,666 \$5,163

Restructured loans

0 258 358 38 40

90 day past due and accruing

6,257 5,304 4,693 5,415 3,849

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Non-performing loans

11,570 10,566 9,324 10,119 9,052

Other real estate owned

1,423 1,399 1,322 1,063 918

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Non-performing assets  
\$12,993 \$11,965 \$10,646 \$11,182 \$9,970

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Charge-offs  
\$1,285 \$2,458 \$1,343 \$1,808 \$862  
Recoveries  
541 219 175 297 662

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Net charge-offs  
\$744 \$2,239 \$1,168 \$1,511 \$200

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Reserve for loan losses as a percent of  
period-end loans (%)  
1.52 1.49 1.45 1.45 1.47  
Net charge-offs (annualized) as a percent  
of average loans (%)  
0.27 0.81 0.44 0.56 0.07  
Non-performing loans as a percent of loans  
1.04 0.94 0.88 0.94 0.84  
Non-performing assets as a percent of assets

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0.77 0.71 0.66 0.71 0.63

(1) Based on income before accounting change and excludes merger costs.



**Second Bancorp Incorporated and Subsidiaries  
Financial Highlights  
Year-to-Date Data  
(Dollars in thousands, except per share data)**

	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>	<u>March 2001</u>
<b>Earnings:</b>					
Net interest income	\$14,157	\$50,190	\$36,687	\$24,214	\$11,916
Provision for loan losses	933	4,718	3,091	2,103	761
Non-interest income	5,157	18,867	13,022	8,602	3,972
Security gains (losses)	(173)	642	640	517	529
Trading account gains (losses)	(20)	19	19	71	58
Non-interest expense	11,797	41,939	29,938	19,856	10,051
Federal income taxes	1,708	5,880	4,492	2,999	1,475
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<b>Income before accounting change</b>	<b>4,683</b>	<b>17,181</b>	<b>12,847</b>	<b>8,446</b>	<b>4,188</b>
Cumulative effect of accounting change, net of tax	0	(101)	(101)	(101)	(101)
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<b>Net income</b>	<b>\$4,683</b>	<b>\$17,080</b>	<b>\$12,746</b>	<b>\$8,345</b>	<b>\$4,087</b>


**Per share:**

Basic earnings before accounting change

n/a \$1.72 \$1.28 \$0.84 \$0.42

Basic earnings

0.47 1.70 1.27 0.83 0.41

Diluted earnings before accounting change

n/a 1.71 1.27 0.84 0.42

Diluted earnings

0.47 1.69 1.26 0.83 0.41

Common dividends

0.18 0.68 0.51 0.34 0.17

Book value

12.96 12.90 13.04 12.29 12.20

Tangible book value

11.11 11.10 12.90 12.15 12.04

Market value

24.25 21.61 20.50 22.90 17.50

**Weighted average shares outstanding:**

Basic

9,944,671 10,013,068 10,021,471 10,013,966 10,020,097

Diluted

10,054,758 10,080,005 10,087,935 10,079,973 10,046,562

**Period end balance sheet:**

Assets

\$1,684,848 \$1,680,356 \$1,609,019 \$1,578,370 \$1,571,831

Securities

411,897 417,496 407,004 380,262 377,323

Total loans

1,114,314 1,121,892 1,060,778 1,075,039 1,076,284

Reserve for loan losses

16,884 16,695 15,429 15,609 15,778

Deposits

1,131,199 1,123,131 1,057,291 1,059,758 1,061,556

Total shareholders equity

128,853 128,299 130,766 123,107 121,968

Tier I capital

139,474 137,395 149,171 119,857 117,497

Tier I ratio

11.3% 11.3% 13.1% 10.4% 10.3%

Total capital

154,854 152,550 163,385 134,302 131,768

Total capital ratio

12.6% 12.6% 14.4% 11.6% 11.5%

Total risk-adjusted assets

1,228,918 1,210,858 1,135,902 1,155,561 1,141,685

Tier I leverage ratio  
 8.3% 8.2% 9.4% 7.6% 7.6%

**Average balance sheet:**

Assets  
 \$1,691,123 \$1,595,968 \$1,565,914 \$1,557,263 \$1,544,368  
 Earning assets  
 1,581,704 1,502,164 1,477,650 1,468,866 1,453,969  
 Loans  
 1,109,990 1,078,196 1,070,655 1,073,705 1,072,460  
 Deposits  
 1,129,829 1,070,439 1,057,156 1,054,929 1,046,349  
 Shareholders equity  
 130,152 124,773 122,586 120,368 118,879

**Key ratios: (%) (1)**

Return on average assets (ROA)  
 1.11 1.09 1.09 1.08 1.08  
 Return on average shareholders equity (ROE)  
 14.39 13.93 13.97 14.03 14.09  
 Net interest margin  
 3.72 3.49 3.47 3.45 3.43  
 Net overhead  
 1.68 1.51 1.52 1.52 1.66  
 Efficiency ratio  
 59.46 58.35 58.20 58.36 60.94

**Credit quality:**

Non-accrual loans  
 \$5,313 \$5,004 \$4,273 \$4,666 \$5,163  
 Restructured loans  
 0 258 358 38 40  
 90 day past due and accruing  
 6,257 5,304 4,693 5,415 3,849

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Non-performing loans  
 11,570 10,566 9,324 10,119 9,052  
 Other real estate owned  
 1,423 1,399 1,322 1,063 918

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Non-performing assets  
\$12,993 \$11,965 \$10,646 \$11,182 \$9,970

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Charge-offs  
\$1,285 \$6,471 \$4,013 \$2,670 \$862

Recoveries  
541 1,353 1,134 959 662

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Net charge-offs  
\$744 \$5,118 \$2,879 \$1,711 \$200

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Reserve for loan losses as a percent  
of period-end loans (%)  
1.52 1.49 1.45 1.45 1.47  
Net charge-offs (annualized) as a percent  
of average loans (%)  
0.27 0.47 0.36 0.32 0.07  
Non-performing loans as a percent of loans  
1.04 0.94 0.88 0.94 0.84

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Non-performing assets as a percent of assets

0.77 0.71 0.66 0.71 0.63

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(1) Based on income before accounting change and excludes merger costs.

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

	March 31	December 31	September 30	June 30	March 31
	2002	2001	2001	2001	2001
<b>ASSETS</b>					
Cash and due from banks	\$36,397	\$40,837	\$32,441	\$36,024	\$36,937
Federal funds sold and other temp. investments	42,631	24,016	51,233	27,979	25,451
Securities:					
Trading	0	0	0	0	238
Available-for-sale	411,897	417,496	407,004	380,262	377,323
Total securities	411,897	417,496	407,004	380,262	377,561
Loans:					
Commercial	500,604	508,579	425,149	434,416	432,633
Consumer	317,858	316,097	318,614	322,776	314,290
Real estate	295,852	297,216	317,015	317,847	329,361
Total loans					

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1,114,314 1,121,892 1,060,778 1,075,039 1,076,284  
Less reserve for loan losses  
16,884 16,695 15,429 15,609 15,778

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Net loans  
1,097,430 1,105,197 1,045,349 1,059,430 1,060,506  
Premises and equipment  
16,737 16,416 16,650 17,122 17,533  
Accrued interest receivable  
9,596 10,272 10,272 9,759 10,118  
Goodwill and intangible assets  
28,187 26,578 8,328 7,547 6,157  
Other assets  
41,973 39,544 37,742 40,247 37,568

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Total assets  
\$1,684,848 \$1,680,356 \$1,609,019 \$1,578,370 \$1,571,831

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LIABILITIES AND SHAREHOLDERS EQUITY

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Deposits:

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Demand non-interest bearing	\$138,107	\$144,953	\$111,539	\$109,477	\$105,920
Demand interest bearing	99,284	105,221	94,831	90,077	86,124
Savings	335,460	276,628	234,601	234,314	239,661
Time deposits	558,348	596,329	616,320	625,890	629,851

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Total deposits	1,131,199	1,123,131	1,057,291	1,059,758	1,061,556
Federal funds purchased and securities sold under agreements to repurchase	108,951	107,279	110,071	117,275	119,684
Note payable	0	0	0	1,000	1,000
Other borrowed funds	724	5,853	5,745	4,981	46
Accrued expenses and other liabilities	12,661	10,200	11,185	10,802	10,986
Federal Home Loan Bank advances	272,005	275,152	267,301	261,447	256,591
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust	30,455	30,442	26,660	0	0

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Total liabilities	1,555,995	1,552,057	1,478,253	1,455,263	1,449,863
Shareholders equity:					
Common stock, no par value; 30,000,000 shares authorized;	37,722	37,453	37,424	37,166	36,953
Treasury stock	(17,397)	(16,798)	(15,072)	(14,740)	(14,740)
Other comprehensive income	1,424	3,434	6,850	1,810	2,950
Retained earnings	107,104	104,210	101,564	98,871	96,805



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Total shareholders' equity  
 128,853 128,299 130,766 123,107 121,968

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Total liabilities and shareholders' equity  
 \$1,684,848 \$1,680,356 \$1,609,019 \$1,578,370 \$1,571,831

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Miscellaneous data:

Common shares issued  
 10,856,360 10,832,810 10,828,310 10,802,510 10,785,760  
 Treasury shares  
 911,689 883,494 801,512 785,000 785,000  
 Bank owned life insurance (in other assets)  
 \$31,858 \$31,449 \$31,041 \$30,645 \$30,270  
 Loans serviced for others  
 \$936,559 \$812,774 \$652,337 \$565,044 \$487,253  
 Mortgage servicing rights  
 \$10,006 \$8,313 \$6,560 \$5,688 \$4,261  
 Goodwill  
 14,645 14,645 1,014 1,061 1,107  
 Other intangibles  
 3,536 3,620 754 798 789

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Total goodwill and intangibles assets  
\$28,187 \$26,578 \$8,328 \$7,547 \$6,157

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Second Bancorp Incorporated and Subsidiaries

Consolidated Statements of Income  
 Quarterly Data  
 (Dollars in thousands, except per share data)

	March 2002	Dec. 2001	Sept. 2001	June 2001	March 2001
<b>INTEREST INCOME</b>					
Loans (including fees):					
Taxable	\$20,471	\$20,764	\$21,015	\$21,751	\$22,101
Exempt from federal income taxes	243	257	268	279	288
Securities:					
Taxable	5,322	5,716	5,471	5,302	5,125
Exempt from federal income taxes	774	789	800	775	773
Federal funds sold and other temp. investments	213	268	326	298	191
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Total interest income	27,023	27,794	27,880	28,405	28,478
<b>INTEREST EXPENSE</b>					
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Deposits	7,674	8,882	10,467	11,192	11,469
Federal funds purchased and securities sold under agreements to repurchase	566	727	937	1,053	1,187
Note Payable	0	0	13	16	18
Other borrowed funds	16	15	23	15	37
Federal Home Loan Bank advances	3,877	3,939	3,946	3,831	3,851
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust	733	728	21	0	0

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Total interest expense  
 12,866 14,291 15,407 16,107 16,562

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Net interest income  
 14,157 13,503 12,473 12,298 11,916  
 Provision for loan losses  
 933 1,627 988 1,342 761

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Net interest income after provision for loan losses  
 13,224 11,876 11,485 10,956 11,155  
**NON-INTEREST INCOME**

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Service charges on deposit accounts  
 1,320 1,424 1,344 1,273 1,261  
 Trust fees  
 786 604 761 749 756  
 Gain on sale of loans  
 1,544 2,531 1,394 1,106 783  
 Trading account (losses) gains  
 (20) 0 (52) 13 58  
 Security (losses) gains  
 (173) 2 123 (12) 529  
 Other operating income

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1,507 1,286 921 1,502 1,172

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Total non-interest income  
4,964 5,847 4,491 4,631 4,559  
NON-INTEREST EXPENSE

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Salaries and employee benefits  
6,309 5,941 5,313 5,096 5,194  
Net occupancy  
1,137 1,084 1,001 1,062 1,116  
Equipment  
1,202 883 1,038 921 1,049  
Professional services  
485 716 320 397 343  
Assessment on deposits and other taxes  
329 321 415 405 401  
Amortization of goodwill and other intangibles  
110 135 81 80 81  
Merger costs  
0 305 0 0 0  
Other operating expenses  
2,225 2,616 1,914 1,844 1,867

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Total non-interest expense  
11,797 12,001 10,082 9,805 10,051

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Income before federal income taxes  
 6,391 5,722 5,894 5,782 5,663  
 Income tax expense  
 1,708 1,388 1,493 1,524 1,475

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Income before accounting change  
 4,683 4,334 4,401 4,258 4,188  
 Cumulative effect of accounting change, net of tax  
 0 (101)

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Net income  
 \$4,683 \$4,334 \$4,401 \$4,258 \$4,087

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NET INCOME PER COMMON SHARE:

Basic before accounting change  
 \$0.47 \$0.43 \$0.44 \$0.42 \$0.42  
 Basic  
 \$0.47 \$0.43 \$0.44 \$0.42 \$0.41  
 Diluted before accounting change  
 \$0.47 \$0.43 \$0.43 \$0.42 \$0.42

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Diluted

\$0.47 \$0.43 \$0.43 \$0.42 \$0.41

Weighted average common shares outstanding:

Basic

9,944,671 9,988,137 10,033,365 10,007,904 10,020,097

Diluted

10,054,758 10,075,690 10,117,705 10,103,060 10,046,562

Note: Fully taxable equivalent adjustment

\$548 \$563 \$575 \$568 \$571

Second Bancorp Incorporated and Subsidiaries  
Consolidated Statements of Income

Year-to-Date Data  
(Dollars in thousands, except per share data)

	March 2002	Dec. 2001	Sept. 2001	June 2001	March 2001
<b>INTEREST INCOME</b>					
Loans (including fees):					
Taxable	\$20,471	\$85,631	\$64,867	\$43,852	\$22,101
Exempt from federal income taxes	243	1,092	835	567	288
Securities:					
Taxable	5,322	21,614	15,898	10,427	5,125
Exempt from federal income taxes	774	3,137	2,348	1,548	773
Federal funds sold and other temp. investments	213	1,083	815	489	191
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Total interest income	27,023	112,557	84,763	56,883	28,478
<b>INTEREST EXPENSE</b>					
<hr/>					
Deposits	7,674	42,010	33,128	22,661	11,469
Federal funds purchased and securities sold under agreements to repurchase	566	3,904	3,177	2,240	1,187
Note Payable	0	47	47	34	18
Other borrowed funds	16	90	75	52	37
Federal Home Loan Bank advances	3,877	15,567	11,628	7,682	3,851
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust	733	749	21	0	0



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Total interest expense  
 12,866 62,367 48,076 32,669 16,562

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Net interest income  
 14,157 50,190 36,687 24,214 11,916  
 Provision for loan losses  
 933 4,718 3,091 2,103 761

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Net interest income after provision for loan losses  
 13,224 45,472 33,596 22,111 11,155  
 NON-INTEREST INCOME

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Service charges on deposit accounts  
 1,320 5,302 3,878 2,534 1,261  
 Trust fees  
 786 2,870 2,266 1,505 756  
 Gain on sale of loans  
 1,544 5,814 3,283 1,889 783  
 Trading account (losses) gains  
 (20) 19 19 71 58  
 Security (losses) gains  
 (173) 642 640 517 529  
 Other operating income

1,507 4,881 3,595 2,674 1,172

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Total non-interest income  
 4,964 19,528 13,681 9,190 4,559  
 NON-INTEREST EXPENSE

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Salaries and employee benefits  
 6,309 21,544 15,603 10,290 5,194  
 Net occupancy  
 1,137 4,263 3,179 2,178 1,116  
 Equipment  
 1,202 3,891 3,008 1,970 1,049  
 Professional services  
 485 1,776 1,060 740 343  
 Assessment on deposits and other taxes  
 329 1,542 1,221 806 401  
 Amortization of goodwill and other intangibles  
 110 377 242 161 81  
 Merger costs  
 0 305 0 0 0  
 Other operating expenses  
 2,225 8,241 5,625 3,711 1,867

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Total non-interest expense  
 11,797 41,939 29,938 19,856 10,051

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Income before federal income taxes  
 6,391 23,061 17,339 11,445 5,663  
 Income tax expense  
 1,708 5,880 4,492 2,999 1,475

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Income before accounting change  
 4,683 17,181 12,847 8,446 4,188  
 Cumulative effect of accounting change, net of tax  
 0 (101) (101) (101) (101)  
 Net income  
 \$4,683 \$17,080 \$12,746 \$8,345 \$4,087

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NET INCOME PER COMMON SHARE:

Basic before accounting change  
 \$0.47 \$1.72 \$1.28 \$0.84 \$0.42

Basic  
 \$0.47 \$1.70 \$1.27 \$0.83 \$0.41

Diluted before accounting change  
 \$0.47 \$1.71 \$1.27 \$0.84 \$0.42

Diluted  
 \$0.47 \$1.69 \$1.26 \$0.83 \$0.41

Weighted average common shares outstanding:

Basic  
 9,944,671 10,013,068 10,021,471 10,013,966 10,020,097

Diluted  
 10,054,758 10,080,005 10,087,935 10,079,973 10,046,562

Note: Fully taxable equivalent adjustment  
 \$548 \$2,277 \$1,714 \$1,139 \$571

**Second Bancorp Incorporated and Subsidiaries  
Consolidated Average Balance Sheets**

**For the Quarter Ended  
(Dollars in Thousands)**

ASSETS	March 2002	Dec. 2001	Sept. 2001	June 2001	March 2001
Cash and demand balances due from banks	\$35,183	\$44,615	\$32,340	\$30,980	\$33,942
Federal funds sold and other temp. investments					
51,953 47,585 37,091 27,222 12,146					
Securities:					
Trading					
123 99 52 141 165					
Available-for-sale					
419,638 426,649 393,134 381,299 369,198					
Total securities					
419,761 426,748 393,186 381,440 369,363					
Loans:					
Commercial					
505,782 492,110 427,029 434,445 425,127					
Consumer					
313,542 316,100 319,838 318,937 309,135					
Real estate					
290,666 292,363 317,788 321,554 338,198					
Total loans					
1,109,990 1,100,573 1,064,655 1,074,936 1,072,460					
Reserve for loan losses					

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16,884 16,747 15,464 15,743 15,594

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Net loans

1,093,106 1,083,826 1,049,191 1,059,193 1,056,866

Premises and equipment

16,449 16,716 17,061 17,448 17,923

Goodwill and intangible assets

27,169 20,309 7,985 6,471 6,067

Other

47,502 45,349 46,080 47,262 48,061

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Total assets

\$1,691,123 \$1,685,148 \$1,582,934 \$1,570,016 \$1,544,368

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LIABILITIES AND SHAREHOLDERS EQUITY

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Liabilities:

Demand deposits (non-interest bearing)

\$139,013 \$134,160 \$111,635 \$110,124 \$107,260

Demand deposits (interest bearing)

99,765 99,783 90,783 88,920 83,381

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Savings

308,104 259,322 232,661 234,781 242,120

Time deposits

582,947 616,590 626,458 629,590 613,588

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Total deposits

1,129,829 1,109,855 1,061,537 1,063,415 1,046,349

Federal funds purchased and securities sold under agreements to repurchase

114,128 130,769 112,029 111,816 109,724

Note payable

0 0 967 1,000 1,000

Borrowed funds

3,112 2,928 2,240 1,554 2,230

Accrued expenses and other liabilities

10,157 10,794 10,601 10,223 9,002

Federal Home Loan Bank advances

273,299 269,600 267,744 260,168 257,184

Corporation-obligated mandatorily redeemable capital securities of subsidiary trust

30,446 29,940 866 0 0

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Total liabilities

1,560,971 1,553,886 1,455,984 1,448,176 1,425,489

Shareholders' equity:

Common stock

37,568 37,438 37,331 37,046 36,945

Treasury shares

(17,281) (15,924) (14,814) (14,739) (14,465)

Other comprehensive income

4,449 7,312 4,548 2,364 1,493

Retained earnings

105,416 102,436 99,885 97,169 94,906

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Total shareholders' equity  
130,152 131,262 126,950 121,840 118,879

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Total liabilities and shareholders' equity  
\$1,691,123 \$1,685,148 \$1,582,934 \$1,570,016 \$1,544,368

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Second Bancorp Incorporated and Subsidiaries

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

(Dollars in Thousands)

ASSETS	March 2002	Dec. 2001	Sept. 2001	June 2001	March 2001
Cash and demand balances due from banks	\$35,183	\$35,490	\$32,415	\$32,453	\$33,942
Federal funds sold					
51,953 31,125 25,578 19,726 12,146					
Securities:					
Trading					
123 114 119 153 165					
Available-for-sale					
419,638 392,729 381,298 375,282 369,198					
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Total securities					
419,761 392,843 381,417 375,435 369,363					
Loans:					
Commercial					
505,782 444,813 428,874 429,812 425,127					
Consumer					
313,542 316,032 316,009 314,063 309,135					
Real estate					
290,666 317,351 325,772 329,830 338,198					
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Total loans					
1,109,990 1,078,196 1,070,655 1,073,705 1,072,460					



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Reserve for loan losses

16,884 15,889 15,600 15,669 15,594

Net loans

1,093,106 1,062,307 1,055,055 1,058,036 1,056,866

Premises and equipment

16,449 17,283 17,474 17,684 17,923

Goodwill and intangible assets

27,169 10,241 6,848 6,270 6,067

Other

47,502 46,679 47,127 47,659 48,061

Total assets

\$1,691,123 \$1,595,968 \$1,565,914 \$1,557,263 \$1,544,368

LIABILITIES AND SHAREHOLDERS EQUITY

Liabilities:

Demand deposits (non-interest bearing)

\$139,013 \$115,857 \$109,689 \$108,700 \$107,260

Demand deposits (interest bearing)

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99,765	90,762	87,722	86,166	83,381
Savings				
308,104	242,242	236,486	238,430	242,120
Time deposits				
582,947	621,578	623,259	621,633	613,588

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Total deposits				
1,129,829	1,070,439	1,057,156	1,054,929	1,046,349
Federal funds purchased and securities sold under agreements to repurchase				
114,128	116,131	111,198	110,776	109,724
Note payable				
0	740	989	1,000	1,000
Borrowed funds				
3,112	2,240	2,008	1,890	2,230
Accrued expenses and other liabilities				
10,157	10,161	9,948	9,616	9,002
Federal Home Loan Bank advances				
273,299	263,719	261,737	258,684	257,184
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust				
30,446	7,765	292	0	0

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Total liabilities				
1,560,971	1,471,195	1,443,328	1,436,895	1,425,489
Shareholders' equity:				
Common stock				
37,568	37,192	37,109	36,996	36,945
Treasury shares				
(17,281)	(14,989)	(14,674)	(14,603)	(14,465)
Net unrealized holding gains				
4,449	3,947	2,813	1,931	1,493
Retained earnings				
105,416	98,623	97,338	96,044	94,906

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Total shareholders' equity  
130,152 124,773 122,586 120,368 118,879

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Total liabilities and shareholders' equity  
\$1,691,123 \$1,595,968 \$1,565,914 \$1,557,263 \$1,544,368

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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 22, 2002

Second Bancorp Incorporated

/s/ David L. Kellerman

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David L. Kellerman, Treasurer