

SECOND BANCORP INC  
Form 8-K  
January 28, 2002

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CURRENT REPORT

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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: January 25, 2002

**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 24, 2002, the Company issued the following press release:

SECOND BANCORP REPORTS  
SOLID FOURTH QUARTER, RECORD EARNINGS FOR 2001

**Warren, Ohio, January 24, 2002** SECOND BANCORP INCORPORATED (Nasdaq **SECD** , **SECDP** ) reported solid financial performance for the recently completed fourth quarter and record annual earnings for 2001. Net income for the quarter was \$4,334,000 or \$.43 per diluted share compared to \$4,030,000 or \$.40 per share for the same period last year. Excluding transaction costs associated with the Company's October acquisition of Commerce Exchange Corporation, quarterly earnings would have been \$4,532,000 (\$.45 per diluted share), an increase of 12.5% over a year ago. For the full year, net income was a record \$17,080,000 or \$1.69 per diluted share compared to \$6,134,000 or \$.60 per share in 2000. Earnings for 2000 were adversely effected by a \$9.02 million (after tax) restructuring charge taken in the third quarter of that year.

Key performance measures for the quarter and the year were generally improved over year-ago levels. Returns on average assets (ROA) for the quarter and the year were 1.03% and 1.08% respectively (compared to 1.05% and .39% a year ago) and returns on average equity (ROE) were 13.21% for the quarter and 13.77% for the full year (compared to 14.28% and 5.35% respectively)

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in 2000). Excluding acquisition costs, ROA for the quarter and the full year would have been 1.08% and 1.09% respectively and ROE for the same periods would have been 13.81% and 13.93%. Net interest margin results were mixed finishing the quarter and year at 3.57% and 3.49% respectively compared to 3.65% and 3.46% for the same periods in 2000. The Company's fourth quarter efficiency ratio improved minimally to 60.27% from 60.77% a year ago and was 58.78% for the full year, dramatically stronger than the 70.67% reported for 2000. The Company's net overhead ratio was similarly improved to 1.49% for the quarter (from 1.81% last year) and 1.51% for the year (from 2.23% in 2000).

Second Bancorp Treasurer David L. Kellerman indicated "A couple of the Company's key performance measures were adversely effected by market conditions during the year. Specifically, ROE for the quarter and the year was restrained by increases in balance sheet equity resulting from significant growth in unrecognized gains in the Company's investment portfolio. Sluggishness in the Company's net interest margin reflected, in part, the impact of the Federal Reserve's successive interest rate reductions during 2001. Anticipated stabilization of rates in 2002 will stimulate margin growth this year.

Excluding securities gains and trading results for each period, non-interest income for the quarter and for the year was \$5.8 million and \$18.9 million respectively, dramatic 55% and 71% improvements over year-ago results. The strength in non-interest income was primarily the result of robust secondary market and loan servicing activity in our core mortgage lending business and significant growth in deposit account service charges. Non-interest expenses, while climbing to \$12 million for the fourth quarter, finished 2001 at \$41.9 million, 5.1% lower than a year ago. The increase in fourth quarter expenses was lead by growth in salary and benefit costs. In large part, the higher costs were the result of (i) increased staffing in support of our mortgage loan business to keep pace with accelerating loan and loan servicing activity, (ii) payment of employee incentives tied to improved profitability and loan and fee business generation, and (iii) an unusually large volume of medical and hospital claims under the Company's previously self-funded benefit plan.

Credit quality continues to be a focal point for the Company as recessionary pressures persist. The level of non-performing loans and net charge-offs trended upward during 2001 and were .94% of year-end loans and .47% of average loans for the year respectively. Second Bancorp's loan loss reserve continues to provide adequate coverage for non-performing assets at 1.49% of total year-end loans, seven basis points higher than the reserve a year ago.

Second Bancorp President and Chief Executive Officer R. L. (Rick) Blossom stated "Second Bancorp and subsidiary Second National Bank have had a solid year marked by controlled costs, by growth in key businesses lines, especially those generating all-important fee income, and by consistently improving bottom-line earnings. Noteworthy among many positive developments during the year were the acquisition and successful integration of Commerce Exchange Corporation giving us greater access to the attractive suburban Cleveland market. Equally important were the performances of our mortgage loan and deposit generating lines of business. Flexibility and rapid response to changing market conditions allowed the Company's mortgage loan department to recognize and seize opportunities presented by the falling interest rate environment that characterized 2001. Our line-of-business focus on deposits also helped to stabilize the Company's net interest margin during the year and position it for future growth by simplifying product lines and shifting deposit generating initiatives to core deposit growth. These and other efforts have been recognized and rewarded by the securities market pushing the value of our common stock to \$21.61 at year end, up nearly 50% over the course of the year.

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The Company also reported that its Board of Directors declared a seventeen cent (\$.17) per share common dividend payable January 31, 2002 to shareholders of record on January 15. That dividend is unchanged from last quarter and is 6.25% higher than the dividend paid for the fourth quarter of 2000.

**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 [cstanitz@secondnationalbank.com](mailto:cstanitz@secondnationalbank.com).

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

(Dollars in thousands, except per share data)

|  | <u>Dec. 2001</u> | <u>Sept. 2001</u> | <u>June 2001</u> | <u>March 2001</u> | <u>Dec. 2000</u> |
|--|------------------|-------------------|------------------|-------------------|------------------|
| <b>Earnings:</b>   |                  |                   |                  |                   |                  |
| Net interest income                                      | \$ 13,503        | \$ 12,473         | \$ 12,298        | \$ 11,916         | \$ 12,708        |
| Provision for loan losses                                | 1,627            | 988               | 1,342            | 761               | 903              |
| Non-interest income                                      | 5,845            | 4,420             | 4,630            | 3,972             | 3,776            |
| Security gains (losses)                                  | 2                | 123               | (12)             | 529               | 98               |
| Trading account<br>(losses) gains                        | 0                | (52)              | 13               | 58                | 10               |
| Non-interest expense                                     | 12,001           | 10,082            | 9,805            | 10,051            | 10,345           |
| Federal income taxes                                     | 1,388            | 1,493             | 1,524            | 1,475             | 1,314            |
| <b>Income before<br/>accounting change</b>               | <b>4,334</b>     | <b>4,401</b>      | <b>4,258</b>     | <b>4,188</b>      | <b>4,030</b>     |
| Cumulative effect of<br>accounting change, net of<br>tax | 0                | 0                 | 0                | (101)             | 0                |
| <b>Net income</b>  | <b>\$ 4,334</b>  | <b>\$ 4,401</b>   | <b>\$ 4,258</b>  | <b>\$ 4,087</b>   | <b>\$ 4,030</b>  |
| <b>Per share:</b>  |                  |                   |                  |                   |                  |
| Basic earnings before<br>accounting<br>change            | n/a              | n/a               | n/a              | \$ 0.42           | n/a              |
| Basic earnings   | 0.43             | 0.43              | 0.42             | 0.41              | 0.40             |
| Diluted earnings before<br>accounting change             | n/a              | n/a               | n/a              | 0.42              | n/a              |
| Diluted earnings   | 0.43             | 0.43              | 0.42             | 0.41              | 0.40             |
| Common dividends   | 0.17             | 0.17              | 0.17             | 0.17              | 0.16             |
| Book value   | 12.90            | 13.04             | 12.29            | 12.20             | 11.65            |

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|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Tangible book value                             | 11.10      | 12.90      | 12.15      | 12.04      | 11.49      |
| Market value                                    | 21.61      | 20.50      | 22.90      | 17.50      | 14.50      |
| <b>Weighted average shares<br/>outstanding:</b> |            |            |            |            |            |
| Basic   | 9,988,137  | 10,033,365 | 10,007,904 | 10,020,097 | 10,050,177 |
| Diluted   | 10,075,690 | 10,117,705 | 10,103,060 | 10,046,562 | 10,069,215 |

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|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Period end balance sheet:</b>                               |                   |                   |                   |                   |                   |
| Assets   | \$ 1,680,356      | \$ 1,609,019      | \$ 1,578,370      | \$ 1,571,831      | \$ 1,546,290      |
| Securities   | 417,496           | 407,004           | 380,262           | 377,323           | 382,098           |
| Total loans  | 1,121,892         | 1,060,778         | 1,075,039         | 1,076,284         | 1,070,089         |
| Reserve for loan losses  | 16,695            | 15,429            | 15,609            | 15,778            | 15,217            |
| Deposits   | 1,123,131         | 1,057,291         | 1,059,758         | 1,061,556         | 1,036,135         |
| Total shareholders equity                                      | 128,299           | 130,766           | 123,107           | 121,968           | 117,197           |
| Tier I capital   | 137,395           | 149,171           | 119,857           | 117,497           | 115,315           |
| Tier I ratio   | 11.3%             | 13.1%             | 10.4%             | 10.3%             | 10.3%             |
| Total capital  | 152,550           | 163,385           | 134,302           | 131,768           | 129,366           |
| Total capital ratio  | 12.6%             | 14.4%             | 11.6%             | 11.5%             | 11.5%             |
| Total risk-adjusted assets                                     | 1,210,858         | 1,135,902         | 1,155,561         | 1,141,685         | 1,124,076         |
| Tier I leverage ratio  | 8.2%              | 9.4%              | 7.6%              | 7.6%              | 7.5%              |
| <b>Average balance sheet:</b>                                  |                   |                   |                   |                   |                   |
| Assets   | \$ 1,685,148      | \$ 1,582,934      | \$ 1,570,016      | \$ 1,544,368      | \$ 1,541,049      |
| Earning assets   | 1,574,906         | 1,494,932         | 1,483,598         | 1,453,969         | 1,452,756         |
| Loans  | 1,100,573         | 1,064,655         | 1,074,936         | 1,072,460         | 1,061,023         |
| Deposits   | 1,109,855         | 1,061,537         | 1,063,415         | 1,046,349         | 1,053,740         |
| Shareholders equity  | 131,262           | 126,950           | 121,840           | 118,879           | 112,892           |
| <b>Key ratios: (%) (1)</b>                                     |                   |                   |                   |                   |                   |
| Return on average assets (ROA)                                 | 1.08              | 1.11              | 1.08              | 1.08              | 1.05              |
| Return on average shareholders equity (ROE)                    | 13.81             | 13.87             | 13.98             | 14.09             | 14.28             |
| Net interest margin  | 3.57              | 3.49              | 3.47              | 3.43              | 3.65              |
| Net overhead   | 1.49              | 1.53              | 1.39              | 1.66              | 1.81              |
| Efficiency ratio   | 58.74             | 57.89             | 56.00             | 60.94             | 60.77             |
| <b>Credit quality:</b>   |                   |                   |                   |                   |                   |
| Non-accrual loans  | \$ 5,004          | \$ 4,273          | \$ 4,666          | \$ 5,163          | \$ 4,699          |
| Restructured loans   | 258               | 358               | 38                | 40                | 43                |
| 90 day past due and accruing                                   | 5,304             | 4,693             | 5,415             | 3,849             | 3,238             |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Non-performing loans   | 10,566            | 9,324             | 10,119            | 9,052             | 7,980             |
| Other real estate owned  | 1,399             | 1,322             | 1,063             | 918               | 902               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Non-performing assets  | \$ 11,965         | \$ 10,646         | \$ 11,182         | \$ 9,970          | \$ 8,882          |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Charge-offs  | \$ 2,458          | \$ 1,343          | \$ 1,808          | \$ 862            | \$ 939            |
| Recoveries   | 219               | 175               | 297               | 662               | 213               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net charge-offs  | \$ 2,239          | \$ 1,168          | \$ 1,511          | \$ 200            | \$ 726            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Reserve for loan losses as a percent of period-end loans (%)   | 1.49              | 1.45              | 1.45              | 1.47              | 1.42              |
| Net charge-offs (annualized) as a percent of average loans (%) | 0.81              | 0.44              | 0.56              | 0.07              | 0.27              |
| Non-performing loans as a percent of loans                     | 0.94              | 0.88              | 0.94              | 0.84              | 0.75              |
| Non-performing assets as a percent of assets                   | 0.71              | 0.66              | 0.71              | 0.63              | 0.57              |

(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)

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|  | <u>Dec. 2001</u>  | <u>Sept. 2001</u> | <u>June 2001</u>  | <u>March 2001</u> | <u>Dec. 2000</u>  |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Earnings:</b>                                   |                   |                   |                   |                   |                   |
| Net interest income                                | \$50,190          | \$36,687          | \$24,214          | \$11,916          | \$49,377          |
| Provision for loan losses                          | 4,718             | 3,091             | 2,103             | 761               | 7,129             |
| Non-interest income                                | 18,867            | 13,022            | 8,602             | 3,972             | 11,009            |
| Security gains (losses)                            | 642               | 640               | 517               | 529               | (2,399)           |
| Trading account gains (losses)                     | 19                | 19                | 71                | 58                | (335)             |
| Non-interest expense                               | 41,939            | 29,938            | 19,856            | 10,051            | 44,213            |
| Federal income taxes                               | 5,880             | 4,492             | 2,999             | 1,475             | 176               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Income before accounting change</b>             | <b>17,181</b>     | <b>12,847</b>     | <b>8,446</b>      | <b>4,188</b>      | <b>6,134</b>      |
| Cumulative effect of accounting change, net of tax | (101)             | (101)             | (101)             | (101)             | 0                 |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>Net income</b>                                  | <b>\$17,080</b>   | <b>\$12,746</b>   | <b>\$ 8,345</b>   | <b>\$ 4,087</b>   | <b>\$ 6,134</b>   |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |



**Table of Contents****Per share:**

|   |         |         |         |         |       |
|---|---------|---------|---------|---------|-------|
| Basic earnings before accounting change   | \$ 1.72 | \$ 1.28 | \$ 0.84 | \$ 0.42 | n/a   |
| Basic earnings                            | 1.70    | 1.27    | 0.83    | 0.41    | 0.60  |
| Diluted earnings before accounting change | 1.71    | 1.27    | 0.84    | 0.42    | n/a   |
| Diluted earnings                          | 1.69    | 1.26    | 0.83    | 0.41    | 0.60  |
| Common dividends                          | 0.68    | 0.51    | 0.34    | 0.17    | 0.64  |
| Book value                                | 12.90   | 13.04   | 12.29   | 12.20   | 11.65 |
| Tangible book value                       | 11.10   | 12.90   | 12.15   | 12.04   | 11.46 |
| Market value                              | 21.61   | 20.50   | 22.90   | 17.50   | 14.50 |

**Weighted average shares outstanding:**

|         |            |            |            |            |            |
|---------|------------|------------|------------|------------|------------|
| Basic   | 10,013,068 | 10,021,471 | 10,013,966 | 10,020,097 | 10,247,025 |
| Diluted | 10,080,005 | 10,087,935 | 10,079,973 | 10,046,562 | 10,271,548 |

**Period end balance sheet:**

|                            |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Assets                     | \$ 1,680,356 | \$ 1,609,019 | \$ 1,578,370 | \$ 1,571,831 | \$ 1,546,290 |
| Securities                 | 417,496      | 407,004      | 380,262      | 377,323      | 382,098      |
| Total loans                | 1,121,892    | 1,060,778    | 1,075,039    | 1,076,284    | 1,070,089    |
| Reserve for loan losses    | 16,695       | 15,429       | 15,609       | 15,778       | 15,217       |
| Deposits                   | 1,123,131    | 1,057,291    | 1,059,758    | 1,061,556    | 1,036,135    |
| Total shareholders equity  | 128,299      | 130,766      | 123,107      | 121,968      | 117,197      |
| Tier I capital             | 137,395      | 149,171      | 119,857      | 117,497      | 115,315      |
| Tier I ratio               | 11.3%        | 13.1%        | 10.4%        | 10.3%        | 10.3%        |
| Total capital              | 152,550      | 163,385      | 134,302      | 131,768      | 129,366      |
| Total capital ratio        | 12.6%        | 14.4%        | 11.6%        | 11.5%        | 11.5%        |
| Total risk-adjusted assets | 1,210,858    | 1,135,902    | 1,155,561    | 1,141,685    | 1,124,076    |
| Tier I leverage ratio      | 8.2%         | 9.4%         | 7.6%         | 7.6%         | 7.5%         |

**Average balance sheet:**

|                     |              |              |              |              |              |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| Assets              | \$ 1,595,968 | \$ 1,565,914 | \$ 1,557,263 | \$ 1,544,368 | \$ 1,584,016 |
| Earning assets      | 1,502,164    | 1,477,650    | 1,468,866    | 1,453,969    | 1,488,334    |
| Loans               | 1,078,196    | 1,070,655    | 1,073,705    | 1,072,460    | 1,107,948    |
| Deposits            | 1,070,439    | 1,057,156    | 1,054,929    | 1,046,349    | 1,091,441    |
| Shareholders equity | 124,773      | 122,586      | 120,368      | 118,879      | 114,652      |

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

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Return on average assets (ROA)              | 1.09  | 1.09  | 1.08  | 1.08  | 0.39  |
| Return on average shareholders equity (ROE) | 13.93 | 13.97 | 14.03 | 14.09 | 5.35  |
| Net interest margin                         | 3.49  | 3.47  | 3.45  | 3.43  | 3.46  |
| Net overhead                                | 1.51  | 1.52  | 1.52  | 1.66  | 2.23  |
| Efficiency ratio                            | 58.35 | 58.20 | 58.36 | 60.94 | 70.67 |

**Credit quality:**

|                              |           |           |           |          |          |
|------------------------------|-----------|-----------|-----------|----------|----------|
| Non-accrual loans            | \$ 5,004  | \$ 4,273  | \$ 4,666  | \$ 5,163 | \$ 4,699 |
| Restructured loans           | 258       | 358       | 38        | 40       | 43       |
| 90 day past due and accruing | 5,304     | 4,693     | 5,415     | 3,849    | 3,238    |
| Non-performing loans         | 10,566    | 9,324     | 10,119    | 9,052    | 7,980    |
| Other real estate owned      | 1,399     | 1,322     | 1,063     | 918      | 902      |
| Non-performing assets        | \$ 11,965 | \$ 10,646 | \$ 11,182 | \$ 9,970 | \$ 8,882 |

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|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Charge-offs  | \$ 6,471          | \$ 4,013          | \$ 2,670          | \$ 862            | \$ 4,059          |
| Recoveries   | 1,353             | 1,134             | 959               | 662               | 978               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net charge-offs  | \$ 5,118          | \$ 2,879          | \$ 1,711          | \$ 200            | \$ 3,081          |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Reserve for loan losses as a percent of period-end loans (%)   | 1.49              | 1.45              | 1.45              | 1.47              | 1.42              |
| Net charge-offs (annualized) as a percent of average loans (%) | 0.47              | 0.36              | 0.32              | 0.07              | 0.28              |
| Non-performing loans as a percent of loans                     | 0.94              | 0.88              | 0.94              | 0.84              | 0.75              |
| Non-performing assets as a percent of assets                   | 0.71              | 0.66              | 0.71              | 0.63              | 0.57              |

(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)

|   | <u>Dec. 31</u>      | <u>Sept. 30</u>     | <u>June 30</u>      | <u>March 31</u>     | <u>Dec. 31</u>      |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | <u>2001</u>         | <u>2001</u>         | <u>2001</u>         | <u>2001</u>         | <u>2000</u>         |
| <b>ASSETS</b>   |                     |                     |                     |                     |                     |
| Cash and due from banks   | \$ 40,837           | \$ 32,441           | \$ 36,024           | \$ 36,937           | \$ 35,272           |
| Federal funds sold and other temp. investments                                      | 24,016              | 51,233              | 27,979              | 25,451              | 0                   |
| Trading Account   | 0                   | 0                   | 0                   | 238                 | 328                 |
| Securities  | 417,496             | 407,004             | 380,262             | 377,323             | 382,098             |
| Loans:  |                     |                     |                     |                     |                     |
| Commercial  | 508,579             | 425,149             | 434,416             | 432,633             | 421,229             |
| Consumer  | 316,097             | 318,614             | 322,776             | 314,290             | 302,881             |
| Real estate   | 297,216             | 317,015             | 317,847             | 329,361             | 345,979             |
| Total loans   | <u>1,121,892</u>    | <u>1,060,778</u>    | <u>1,075,039</u>    | <u>1,076,284</u>    | <u>1,070,089</u>    |
| Less reserve for loan losses  | 16,695              | 15,429              | 15,609              | 15,778              | 15,217              |
| Net loans   | <u>1,105,197</u>    | <u>1,045,349</u>    | <u>1,059,430</u>    | <u>1,060,506</u>    | <u>1,054,872</u>    |
| Premises and equipment  | 16,416              | 16,650              | 17,122              | 17,533              | 18,039              |
| Accrued interest receivable   | 10,272              | 10,272              | 9,759               | 10,118              | 11,181              |
| Goodwill and intangible assets  | 26,578              | 8,328               | 7,547               | 6,157               | 6,038               |
| Other assets  | 39,544              | 37,742              | 40,247              | 37,568              | 38,462              |
| Total assets  | <u>\$ 1,680,356</u> | <u>\$ 1,609,019</u> | <u>\$ 1,578,370</u> | <u>\$ 1,571,831</u> | <u>\$ 1,546,290</u> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                     |                     |                     |                     |                     |
| Deposits:   |                     |                     |                     |                     |                     |
| Demand non-interest bearing   | \$ 144,953          | \$ 111,539          | \$ 109,477          | \$ 105,920          | \$ 110,045          |
| Demand interest bearing   | 105,221             | 94,831              | 90,077              | 86,124              | 87,268              |
| Savings   | 276,628             | 234,601             | 234,314             | 239,661             | 246,056             |
| Time deposits   | 596,329             | 616,320             | 625,890             | 629,851             | 592,766             |
| Total deposits  | <u>1,123,131</u>    | <u>1,057,291</u>    | <u>1,059,758</u>    | <u>1,061,556</u>    | <u>1,036,135</u>    |
| Federal funds purchased and securities sold under agreements to repurchase          | 107,279             | 110,071             | 117,275             | 119,684             | 129,895             |
| Note payable  | 0                   | 0                   | 1,000               | 1,000               | 1,000               |
| Other borrowed funds  | 5,853               | 5,745               | 4,981               | 46                  | 2,163               |
| Accrued expenses and other liabilities  | 10,200              | 11,185              | 10,802              | 10,986              | 8,167               |
| Federal Home Loan Bank advances   | 275,152             | 267,301             | 261,447             | 256,591             | 251,733             |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 30,442              | 26,660              | 0                   | 0                   | 0                   |
| Total liabilities   | <u>1,552,057</u>    | <u>1,478,253</u>    | <u>1,455,263</u>    | <u>1,449,863</u>    | <u>1,429,093</u>    |
| Shareholders equity:  |                     |                     |                     |                     |                     |
| Common stock, no par value; 30,000,000 shares authorized;                           | 37,453              | 37,424              | 37,166              | 36,953              | 36,935              |

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|   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Treasury stock                            | (16,798)          | (15,072)          | (14,740)          | (14,740)          | (13,947)          |
| Other comprehensive income                | 3,434             | 6,850             | 1,810             | 2,950             | 281               |
| Retained earnings                         | 104,210           | 101,564           | 98,871            | 96,805            | 93,928            |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total shareholders equity                 | 128,299           | 130,766           | 123,107           | 121,968           | 117,197           |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total liabilities and shareholders equity | \$ 1,680,356      | \$ 1,609,019      | \$ 1,578,370      | \$ 1,571,831      | \$ 1,546,290      |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

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| Miscellaneous data:                         |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Common shares issued                        | 10,832,810        | 10,828,310        | 10,802,510        | 10,785,760        | 10,787,310        |
| Treasury shares                             | 883,494           | 801,512           | 785,000           | 785,000           | 730,200           |
| Bank owned life insurance (in other assets) | \$ 31,449         | \$ 31,041         | \$ 30,645         | \$ 30,270         | \$ 29,895         |
| Loans serviced for others                   | \$ 812,774        | \$ 652,337        | \$ 565,944        | \$ 487,253        | \$ 472,120        |
| Mortgage servicing rights                   | \$ 8,313          | \$ 6,560          | \$ 5,688          | \$ 4,261          | \$ 4,065          |
| Goodwill                                    | 14,645            | 1,014             | 1,061             | 1,107             | 1,154             |
| Other intangibles                           | 3,620             | 754               | 798               | 789               | 819               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total goodwill and intangibles assets       | \$ 26,578         | \$ 8,328          | \$ 7,547          | \$ 6,157          | \$ 6,038          |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

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

(Dollars in thousands, except per share data)

|   | <u>Dec. 2001</u>  | <u>Sept. 2001</u> | <u>June 2001</u>  | <u>March 2001</u> | <u>Dec. 2000</u>  |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>INTEREST INCOME</b>  |                   |                   |                   |                   |                   |
| <hr/>   |                   |                   |                   |                   |                   |
| Loans (including fees):   |                   |                   |                   |                   |                   |
| Taxable   | \$20,764          | \$21,015          | \$21,751          | \$22,101          | \$23,029          |
| Exempt from federal income taxes  | 257               | 268               | 279               | 288               | 276               |
| Securities:   |                   |                   |                   |                   |                   |
| Taxable   | 5,716             | 5,471             | 5,302             | 5,125             | 5,581             |
| Exempt from federal income taxes  | 789               | 800               | 775               | 773               | 773               |
| Federal funds sold and other temp. investments                                      | 268               | 326               | 298               | 191               | 131               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total interest income   | 27,794            | 27,880            | 28,405            | 28,478            | 29,790            |
| <b>INTEREST EXPENSE</b>   |                   |                   |                   |                   |                   |
| <hr/>   |                   |                   |                   |                   |                   |
| Deposits  | 8,882             | 10,467            | 11,192            | 11,469            | 11,829            |
| Federal funds purchased and securities sold under agreements to repurchase          | 727               | 937               | 1,053             | 1,187             | 1,560             |
| Note Payable  | 0                 | 13                | 16                | 18                | 6                 |
| Other borrowed funds  | 15                | 23                | 15                | 37                | 25                |
| Federal Home Loan Bank advances   | 3,939             | 3,946             | 3,831             | 3,851             | 3,662             |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 728               | 21                | 0                 | 0                 | 0                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total interest expense  | 14,291            | 15,407            | 16,107            | 16,562            | 17,082            |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net interest income   | 13,503            | 12,473            | 12,298            | 11,916            | 12,708            |
| Provision for loan losses   | 1,627             | 988               | 1,342             | 761               | 903               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net interest income after provision for loan losses                                 | 11,876            | 11,485            | 10,956            | 11,155            | 11,805            |
| <b>NON-INTEREST INCOME</b>  |                   |                   |                   |                   |                   |
| <hr/>   |                   |                   |                   |                   |                   |
| Service charges on deposit accounts   | 1,424             | 1,344             | 1,273             | 1,261             | 1,110             |

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|                                |                   |                   |                   |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Trust fees                     | 604               | 761               | 749               | 756               | 1,012             |
| Gain on sale of loans          | 2,531             | 1,394             | 1,106             | 783               | 490               |
| Trading account (losses) gains | 0                 | (52)              | 13                | 58                | 10                |
| Security gains (losses)        | 2                 | 123               | (12)              | 529               | 98                |
| Other operating income         | 1,286             | 921               | 1,502             | 1,172             | 1,164             |
|                                | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total non-interest income      | 5,847             | 4,491             | 4,631             | 4,559             | 3,884             |

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|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>NON-INTEREST EXPENSE</b>                        |                   |                   |                   |                   |                   |
| Salaries and employee benefits                     | 5,941             | 5,313             | 5,096             | 5,194             | 4,891             |
| Net occupancy                                      | 1,084             | 1,001             | 1,062             | 1,116             | 1,040             |
| Equipment  | 883               | 1,038             | 921               | 1,049             | 995               |
| Professional services                              | 716               | 320               | 397               | 343               | 651               |
| Assessment on deposits and other taxes             | 321               | 415               | 405               | 401               | 423               |
| Amortization of goodwill and other intangibles     | 135               | 81                | 80                | 81                | 108               |
| Merger costs                                       | 305               | 0                 | 0                 | 0                 | 0                 |
| Other operating expenses                           | 2,616             | 1,914             | 1,844             | 1,867             | 2,237             |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total non-interest expense                         | 12,001            | 10,082            | 9,805             | 10,051            | 10,345            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Income before federal income taxes                 | 5,722             | 5,894             | 5,782             | 5,663             | 5,344             |
| Income tax expense                                 | 1,388             | 1,493             | 1,524             | 1,475             | 1,314             |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Income before accounting change                    | 4,334             | 4,401             | 4,258             | 4,188             | 4,030             |
| Cumulative effect of accounting change, net of tax |                   |                   |                   | (101)             |                   |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net income   | \$ 4,334          | \$ 4,401          | \$ 4,258          | \$ 4,087          | \$ 4,030          |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| <b>NET INCOME PER COMMON SHARE:</b>                |                   |                   |                   |                   |                   |
| Basic before accounting change                     | \$ 0.43           | \$ 0.44           | \$ 0.42           | \$ 0.42           | \$ 0.40           |
| Basic  | \$ 0.43           | \$ 0.44           | \$ 0.42           | \$ 0.41           | \$ 0.40           |
| Diluted before accounting change                   | \$ 0.43           | \$ 0.43           | \$ 0.42           | \$ 0.42           | \$ 0.40           |
| Diluted  | \$ 0.43           | \$ 0.43           | \$ 0.42           | \$ 0.41           | \$ 0.40           |
| <b>Weighted average common shares outstanding:</b> |                   |                   |                   |                   |                   |
| Basic  | 9,988,137         | 10,033,365        | 10,007,904        | 10,020,097        | 10,050,177        |
| Diluted  | 10,075,690        | 10,117,705        | 10,103,060        | 10,046,562        | 10,069,215        |
| Note: Fully taxable equivalent adjustment          | \$ 563            | \$ 575            | \$ 568            | \$ 571            | \$ 540            |

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

(Dollars in thousands, except per share data)

|                                  | <u>Dec. 2001</u> | <u>Sept. 2001</u> | <u>June 2001</u> | <u>March 2001</u> | <u>Dec. 2000</u> |
|----------------------------------|------------------|-------------------|------------------|-------------------|------------------|
| <b>INTEREST INCOME</b>           |                  |                   |                  |                   |                  |
| Loans (including fees):          |                  |                   |                  |                   |                  |
| Taxable                          | \$ 85,631        | \$64,867          | \$43,852         | \$22,101          | \$ 90,819        |
| Exempt from federal income taxes | 1,092            | 835               | 567              | 288               | 1,014            |
| Securities:                      |                  |                   |                  |                   |                  |

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|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Taxable  | 21,614            | 15,898            | 10,427            | 5,125             | 20,970            |
| Exempt from federal income taxes               | 3,137             | 2,348             | 1,548             | 773               | 3,209             |
| Federal funds sold and other temp. investments | 1,083             | 815               | 489               | 191               | 286               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total interest income                          | 112,557           | 84,763            | 56,883            | 28,478            | 116,298           |

INTEREST EXPENSE

|   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Deposits  | 42,010            | 33,128            | 22,661            | 11,469            | 46,236            |
| Federal funds purchased and securities sold under agreements to repurchase          | 3,904             | 3,177             | 2,240             | 1,187             | 5,540             |
| Note Payable  | 47                | 47                | 34                | 18                | 25                |
| Other borrowed funds  | 90                | 75                | 52                | 37                | 172               |
| Federal Home Loan Bank advances   | 15,567            | 11,628            | 7,682             | 3,851             | 14,948            |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 749               | 21                | 0                 | 0                 | 0                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total interest expense  | 62,367            | 48,076            | 32,669            | 16,562            | 66,921            |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net interest income   | 50,190            | 36,687            | 24,214            | 11,916            | 49,377            |
| Provision for loan losses   | 4,718             | 3,091             | 2,103             | 761               | 7,129             |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net interest income after provision for loan losses                                 | 45,472            | 33,596            | 22,111            | 11,155            | 42,248            |



**Table of Contents****NON-INTEREST INCOME**

|                                     |                   |                   |                   |                   |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Service charges on deposit accounts | 5,302             | 3,878             | 2,534             | 1,261             | 4,406             |
| Trust fees                          | 2,870             | 2,266             | 1,505             | 756               | 3,898             |
| Gain (loss) on sale of loans        | 5,814             | 3,283             | 1,889             | 783               | (2,001)           |
| Trading account gains (losses)      | 19                | 19                | 71                | 58                | (335)             |
| Security gains (losses)             | 642               | 640               | 517               | 529               | (2,399)           |
| Other operating income              | 4,881             | 3,595             | 2,674             | 1,172             | 4,706             |
|                                     | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total non-interest income           | 19,528            | 13,681            | 9,190             | 4,559             | 8,275             |

**NON-INTEREST EXPENSE**

|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Salaries and employee benefits                 | 21,544            | 15,603            | 10,290            | 5,194             | 20,817            |
| Net occupancy                                  | 4,263             | 3,179             | 2,178             | 1,116             | 4,191             |
| Equipment                                      | 3,891             | 3,008             | 1,970             | 1,049             | 3,985             |
| Professional services                          | 1,776             | 1,060             | 740               | 343               | 3,476             |
| Assessment on deposits and other taxes         | 1,542             | 1,221             | 806               | 401               | 1,684             |
| Amortization of goodwill and other intangibles | 377               | 242               | 161               | 81                | 555               |
| Merger costs                                   | 305               | 0                 | 0                 | 0                 | 0                 |
| Other operating expenses                       | 8,241             | 5,625             | 3,711             | 1,867             | 9,505             |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total non-interest expense                     | 41,939            | 29,938            | 19,856            | 10,051            | 44,213            |

|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Income before federal income taxes                 | 23,061            | 17,339            | 11,445            | 5,663             | 6,310             |
| Income tax expense                                 | 5,880             | 4,492             | 2,999             | 1,475             | 176               |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Income before accounting change                    | 17,181            | 12,847            | 8,446             | 4,188             | 6,134             |
| Cumulative effect of accounting change, net of tax | (101)             | (101)             | (101)             | (101)             |                   |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net income   | \$ 17,080         | \$ 12,746         | \$ 8,345          | \$ 4,087          | \$ 6,134          |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

**NET INCOME PER COMMON SHARE:**

|   |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
| Basic before accounting change              | \$ 1.72    | \$ 1.28    | \$ 0.84    | \$ 0.42    | \$ 0.60    |
| Basic                                       | \$ 1.70    | \$ 1.27    | \$ 0.83    | \$ 0.41    | \$ 0.60    |
| Diluted before accounting change            | \$ 1.71    | \$ 1.27    | \$ 0.84    | \$ 0.42    | \$ 0.60    |
| Diluted                                     | \$ 1.69    | \$ 1.26    | \$ 0.83    | \$ 0.41    | \$ 0.60    |
| Weighted average common shares outstanding: |            |            |            |            |            |
| Basic                                       | 10,013,068 | 10,021,471 | 10,013,966 | 10,020,097 | 10,247,025 |
| Diluted                                     | 10,080,005 | 10,087,935 | 10,079,973 | 10,046,562 | 10,271,548 |
| Note: Fully taxable equivalent adjustment   | \$ 2,277   | \$ 1,714   | \$ 1,139   | \$ 571     | \$ 2,175   |

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

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**For the Quarter Ended**

(Dollars in Thousands)

| ASSETS   | Dec. 2001        | Sept. 2001       | June 2001        | March 2001       | Dec. 2000        |
|--|------------------|------------------|------------------|------------------|------------------|
| Cash and demand balances due from banks        | \$ 44,615        | \$ 32,340        | \$ 30,980        | \$ 33,942        | \$ 31,139        |
| Federal funds sold and other temp. investments | 47,585           | 37,091           | 27,222           | 12,146           | 7,979            |
| Trading Account                                | 99               | 52               | 141              | 165              | 161              |
| Securities                                     | 426,649          | 393,134          | 381,299          | 369,198          | 383,593          |
| Loans:   |                  |                  |                  |                  |                  |
| Commercial                                     | 492,110          | 427,029          | 434,445          | 425,127          | 419,442          |
| Consumer                                       | 316,100          | 319,838          | 318,937          | 309,135          | 295,209          |
| Real estate                                    | 292,363          | 317,788          | 321,554          | 338,198          | 346,372          |
|  | <u>1,100,573</u> | <u>1,064,655</u> | <u>1,074,936</u> | <u>1,072,460</u> | <u>1,061,023</u> |
| Reserve for loan losses                        | 16,747           | 15,464           | 15,743           | 15,594           | 15,129           |
|  | <u>1,083,826</u> | <u>1,049,191</u> | <u>1,059,193</u> | <u>1,056,866</u> | <u>1,045,894</u> |
| Net loans                                      |                  |                  |                  |                  |                  |

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|                                |                   |                   |                   |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Premises and equipment         | 16,716            | 17,061            | 17,448            | 17,923            | 17,867            |
| Goodwill and intangible assets | 20,309            | 7,985             | 6,471             | 6,067             | 6,111             |
| Other                          | 45,349            | 46,080            | 47,262            | 48,061            | 48,305            |
|                                | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total assets                   | \$1,685,148       | \$1,582,934       | \$1,570,016       | \$1,544,368       | \$1,541,049       |
|                                | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Liabilities:</b>   |                   |                   |                   |                   |                   |
| Demand deposits (non-interest bearing)  | \$ 134,160        | \$ 111,635        | \$ 110,124        | \$ 107,260        | \$ 110,053        |
| Demand deposits (interest bearing)  | 99,783            | 90,783            | 88,920            | 83,381            | 83,694            |
| Savings   | 259,322           | 232,661           | 234,781           | 242,120           | 252,990           |
| Time deposits   | 616,590           | 626,458           | 629,590           | 613,588           | 607,003           |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total deposits  | 1,109,855         | 1,061,537         | 1,063,415         | 1,046,349         | 1,053,740         |
| Federal funds purchased and securities sold under agreements to repurchase          | 130,769           | 112,029           | 111,816           | 109,724           | 126,942           |
| Note payable  | 0                 | 967               | 1,000             | 1,000             | 292               |
| Borrowed funds  | 2,928             | 2,240             | 1,554             | 2,230             | 1,251             |
| Accrued expenses and other liabilities  | 10,794            | 10,601            | 10,223            | 9,002             | 6,630             |
| Federal Home Loan Bank advances   | 269,600           | 267,744           | 260,168           | 257,184           | 239,302           |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 29,940            | 866               | 0                 | 0                 | 0                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total liabilities   | 1,553,886         | 1,455,984         | 1,448,176         | 1,425,489         | 1,428,157         |
| <b>Shareholders' equity:</b>  |                   |                   |                   |                   |                   |
| Common stock  | 37,438            | 37,331            | 37,046            | 36,945            | 36,936            |
| Treasury shares   | (15,924)          | (14,814)          | (14,739)          | (14,465)          | (13,174)          |
| Other comprehensive income  | 7,312             | 4,548             | 2,364             | 1,493             | (3,268)           |
| Retained earnings   | 102,436           | 99,885            | 97,169            | 94,906            | 92,398            |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total shareholders' equity  | 131,262           | 126,950           | 121,840           | 118,879           | 112,892           |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total liabilities and shareholders' equity  | \$1,685,148       | \$1,582,934       | \$1,570,016       | \$1,544,368       | \$1,541,049       |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

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

|               |                  |                   |                  |                   |                  |
|---------------|------------------|-------------------|------------------|-------------------|------------------|
| <b>ASSETS</b> | <b>Dec. 2001</b> | <b>Sept. 2001</b> | <b>June 2001</b> | <b>March 2001</b> | <b>Dec. 2000</b> |
|---------------|------------------|-------------------|------------------|-------------------|------------------|

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|                          |                   |                   |                   |                   |                   |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and demand balances |                   |                   |                   |                   |                   |
| due from banks           | \$ 35,490         | \$ 32,415         | \$ 32,453         | \$ 33,942         | \$ 33,787         |
| Federal funds sold       | 31,125            | 25,578            | 19,726            | 12,146            | 4,682             |
| Trading Account          | 114               | 119               | 153               | 165               | 754               |
| Securities               | 392,729           | 381,298           | 375,282           | 369,198           | 374,950           |
| Loans:                   |                   |                   |                   |                   |                   |
| Commercial               | 444,813           | 428,874           | 429,812           | 425,127           | 408,163           |
| Consumer                 | 316,032           | 316,009           | 314,063           | 309,135           | 258,847           |
| Real estate              | 317,351           | 325,772           | 329,830           | 338,198           | 440,938           |
|                          | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total loans              | 1,078,196         | 1,070,655         | 1,073,705         | 1,072,460         | 1,107,948         |
| Reserve for loan losses  | 15,889            | 15,600            | 15,669            | 15,594            | 12,398            |
|                          | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net loans                | 1,062,307         | 1,055,055         | 1,058,036         | 1,056,866         | 1,095,550         |

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|                                |                   |                   |                   |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Premises and equipment         | 17,283            | 17,474            | 17,684            | 17,923            | 18,272            |
| Goodwill and intangible assets | 10,241            | 6,848             | 6,270             | 6,067             | 5,739             |
| Other                          | 46,679            | 47,127            | 47,659            | 48,061            | 50,282            |
|                                | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total assets                   | \$ 1,595,968      | \$ 1,565,914      | \$ 1,557,263      | \$ 1,544,368      | \$ 1,584,016      |
|                                | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

**LIABILITIES AND SHAREHOLDERS' EQUITY****Liabilities:**

|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Demand deposits<br>(non-interest bearing)  | \$ 115,857        | \$ 109,689        | \$ 108,700        | \$ 107,260        | \$ 112,185        |
| Demand deposits (interest<br>bearing)  | 90,762            | 87,722            | 86,166            | 83,381            | 86,818            |
| Savings  | 242,242           | 236,486           | 238,430           | 242,120           | 266,863           |
| Time deposits  | 621,578           | 623,259           | 621,633           | 613,588           | 625,575           |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total deposits   | 1,070,439         | 1,057,156         | 1,054,929         | 1,046,349         | 1,091,441         |
| Federal funds purchased and<br>securities sold under<br>agreements to repurchase             | 116,131           | 111,198           | 110,776           | 109,724           | 118,070           |
| Note payable   | 740               | 989               | 1,000             | 1,000             | 292               |
| Borrowed funds   | 2,240             | 2,008             | 1,890             | 2,230             | 2,532             |
| Accrued expenses and other<br>liabilities  | 10,161            | 9,948             | 9,616             | 9,002             | 8,381             |
| Federal Home Loan Bank<br>advances   | 263,719           | 261,737           | 258,684           | 257,184           | 248,648           |
| Corporation-obligated<br>mandatorily redeemable<br>capital securities of<br>subsidiary trust | 7,765             | 292               | 0                 | 0                 | 0                 |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total liabilities  | 1,471,195         | 1,443,328         | 1,436,895         | 1,425,489         | 1,469,364         |
| Shareholders' equity:  |                   |                   |                   |                   |                   |
| Common stock   | 37,192            | 37,109            | 36,996            | 36,945            | 36,957            |
| Treasury shares  | (14,989)          | (14,674)          | (14,603)          | (14,465)          | (10,878)          |
| Net unrealized holding<br>gains  | 3,947             | 2,813             | 1,931             | 1,493             | (7,354)           |
| Retained earnings  | 98,623            | 97,338            | 96,044            | 94,906            | 95,927            |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total shareholders' equity   | 124,773           | 122,586           | 120,368           | 118,879           | 114,652           |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total liabilities and<br>shareholders' equity  | \$ 1,595,968      | \$ 1,565,914      | \$ 1,557,263      | \$ 1,544,368      | \$ 1,584,016      |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

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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.

Second Bancorp Incorporated

Date: January 25, 2002

/s/ David L. Kellerman

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David L. Kellerman, Treasurer

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