

SECOND BANCORP INC

Form 8-K

July 19, 2002

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Item 5. Other Events
SIGNATURES

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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: July 18, 2002

Second Bancorp Incorporated
(Exact name of registrant as specified in its charter)

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

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

Item 5. Other Events

On July 18, 2002, the Company issued the following press release:

**SECOND BANCORP
REPORTS SECOND QUARTER EARNINGS**

Warren, Ohio, July 18, 2002 **SECOND BANCORP INCORPORATED (Nasdaq SECD , SECDP)** reported second quarter 2002 net income of \$4,353,000, up 2.2% from the \$4,258,000 earned during the same period last year. Year-to-date earnings were \$9.04 million, an increase of 8.3% over net income reported for the first six months of 2001. Diluted earnings for the quarter were \$.43 per share, marginally improved over the \$.42 reported last year and, for the first half of the year, were \$.90 per share or 8.4% higher than the \$.83 reported a year ago.

The Company's key performance ratios for the quarter and first half of 2002 were generally restrained. Return on average assets (ROA) were 1.01% and 1.06% respectively for the quarter and year-to-date (compared to 1.08% for both periods last year) and return on average equity (ROE) was 13.12% for the quarter and 13.75% for the first six months of 2002 (compared to 13.98% and 14.03% a year ago). The Company's net interest margin for the quarter was 3.69%, a strong 22 basis points higher than the margin reported for second quarter 2001. The efficiency ratio for the quarter was 59.49% compared to 56.00% a year ago.

Second Bancorp Treasurer and Chief Financial Officer of subsidiary Second National Bank David L. Kellerman indicated "As reported in our preliminary release issued earlier this month, second quarter earning and key performance ratios were hurt by a steep drop in long-term interest rates during June. The resulting adjustment to the value of the \$10 million asset associated with the Company's \$1 billion mortgage servicing portfolio reduced net income for the quarter by \$894,000 or \$.09 per diluted share. Absent that adjustment, ROA and ROE for the quarter would have been 1.21% and 15.81% and the Company's efficiency ratio would have been 55.47%. We expect to recapture much of that lost value in subsequent reporting periods as mortgage refinancing activity picks up and/or interest rates begin to strengthen. In the interim, we have purchased interest rate floors which will help control similar earnings volatility in the future."

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Non-interest income for the quarter was \$4.05 million compared to \$4.63 million for the same period last year and \$9.02 million for the first half of 2002, marginally lower than the \$9.19 million reported for the year-ago period. Income categories showing strength during the second quarter and year-to-date were deposit service charges which were 11% and 8% ahead of results for the same periods last year and gains on sale of loans which were \$1.71 million for the quarter compared to \$1.11 million a year ago. The 54% increase in gains on loan sales reflects ongoing strength in the Company's mortgage lending business where it continues to sell a large portion of its loan production in the secondary market. Other operating income for the quarter was significantly lower than a year ago reflecting the interest rate impact on the Company's mortgage servicing rights mentioned above. Non-interest expenses for the second quarter were \$514,000 (or 4.4%) lower than was reported for the prior quarter. Expenses, compared to second quarter 2001, grew by 15% primarily reflecting increased salaries and employee benefit costs associated with the October acquisition of Commerce Exchange Bank, increased staffing in Second Bancorp's growing mortgage lending business and staff upgrades in the Company's developing wealth management function.

Credit quality remains a focal point for Second Bancorp. Though net loan charge-offs for the quarter were 9% lower than a year ago, non-performing loans continue to grow in absolute terms and as a percentage of total loans. Non-performing loans at quarter-end reached \$12.50 million, \$2.38 million higher than last year and were 1.14% of total loans compared to .94% at the end of the second quarter 2001. The Company's reserve for loan losses as a percentage of period-end loans strengthened to a comfortable 1.54% at the end of the quarter. President and Chief Executive Officer Rick L. Blossom stated "Though our local economies have done reasonably well in what has developed into a gradual but uneven recovery, individual companies represented in our commercial loan portfolio have begun to show some weakness. We are working very closely with those companies and are confident that many will recover as current economic and political uncertainties are resolved. We believe, however, that the recent growth in non-performing loan balances will continue for the near term.

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

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, wealth management, 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.

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

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

(Dollars in thousands, except per share data)

	<u>June</u> <u>2002</u>	<u>March</u> <u>2002</u>	<u>Dec.</u> <u>2001</u>	<u>Sept.</u> <u>2001</u>	<u>June</u> <u>2001</u>
Earnings:					
Net interest income	\$14,403	\$14,157	\$13,503	\$12,473	\$12,298
Provision for loan losses	1,303	933	1,627	988	1,342
Non-interest income	4,053	5,157	5,845	4,420	4,630
Security (losses) gains	0	(173)	2	123	(12)
Trading account (losses) gains	0	(20)	0	(52)	13
Non-interest expense	11,283	11,797	12,001	10,082	9,805
Federal income taxes	1,517	1,708	1,388	1,493	1,524
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Income before accounting change	4,353	4,683	4,334	4,401	4,258
Cumulative effect of accounting change, net of tax	0	0	0	0	0
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Net income	\$4,353	\$4,683	\$4,334	\$4,401	\$4,258

Per share:

Basic earnings before accounting change

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

Basic earnings

0.44 0.47 0.43 0.43 0.42

Diluted earnings before accounting change

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

Diluted earnings

0.43 0.47 0.43 0.43 0.42

Common dividends

0.18 0.18 0.17 0.17 0.17

Book value

13.71 12.96 12.90 13.04 12.29

Tangible book value

11.85 11.11 11.10 12.90 12.15

Market value

27.30 24.25 21.61 20.50 22.90

Weighted average shares outstanding:

Basic

9,958,928 9,944,671 9,988,137 10,033,365 10,007,904

Diluted

10,087,003 10,054,758 10,075,690 10,117,705 10,103,060

Period end balance sheet:

Assets

\$1,719,744 \$1,684,848 \$1,680,356 \$1,609,019 \$1,578,370

Securities

448,736 411,897 417,496 407,004 380,262

Total loans

1,092,398 1,114,314 1,121,892 1,060,778 1,075,039

Reserve for loan losses

16,810 16,884 16,695 15,429 15,609

Deposits

1,146,451 1,131,199 1,123,131 1,057,291 1,059,758

Total shareholders equity

136,293 128,853 128,299 130,766 123,107

Tier I capital

141,011 139,474 137,395 149,171 119,857

Tier I ratio

11.9% 11.3% 11.3% 13.1% 10.4%

Total capital

155,799 154,854 152,550 163,385 134,302

Total capital ratio

13.2% 12.6% 12.6% 14.4% 11.6%

Total risk-adjusted assets

1,181,029 1,228,918 1,210,858 1,135,902 1,155,561

Tier I leverage ratio

8.4% 8.3% 8.2% 9.4% 7.6%

Average balance sheet:

Assets

\$1,727,642 \$1,691,123 \$1,685,148 \$1,582,934 \$1,570,016

Earning assets

1,618,286 1,581,704 1,574,906 1,494,932 1,483,598

Loans

1,097,302 1,109,990 1,100,573 1,064,655 1,074,936

Deposits

1,153,065 1,129,829 1,109,855 1,061,537 1,063,415

Shareholders equity

132,734 130,152 131,262 126,950 121,840

Key ratios: (%) (1)

Return on average assets (ROA)

1.01 1.11 1.08 1.11 1.08

Return on average shareholders equity (ROE)

13.12 14.39 13.81 13.87 13.98

Net interest margin

3.69 3.72 3.57 3.49 3.47

Net overhead

1.79 1.68 1.49 1.53 1.39

Efficiency ratio

59.49 59.46 58.74 57.89 56.00

Credit quality:

Non-accrual loans

\$6,287 \$5,313 \$5,004 \$4,273 \$4,666

Restructured loans

197 0 258 358 38

90 day past due and accruing

6,011 6,257 5,304 4,693 5,415

Non-performing loans

12,495 11,570 10,566 9,324 10,119

Other real estate owned

1,644 1,423 1,399 1,322 1,063

Non-performing assets
\$14,139 \$12,993 \$11,965 \$10,646 \$11,182

Charge-offs
\$1,625 \$1,285 \$2,458 \$1,343 \$1,808
Recoveries
248 541 219 175 297

Net charge-offs
\$1,377 \$744 \$2,239 \$1,168 \$1,511

Reserve for loan losses as a percent of
period-end loans (%)
1.54 1.52 1.49 1.45 1.45
Net charge-offs (annualized) as a percent of
average loans (%)
0.50 0.27 0.81 0.44 0.56

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	<u>June 2002</u>	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>
Non-performing loans as a percent of loans	1.14	1.04	0.94	0.88	0.94
Non-performing assets as a percent of assets	0.82	0.77	0.71	0.66	0.71

(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>June 2002</u>	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>
Earnings:					
Net interest income	\$28,560	\$14,157	\$50,190	\$36,687	\$24,214
Provision for loan losses	2,236	933	4,718	3,091	2,103
Non-interest income	9,210	5,157	18,867	13,022	8,602
Security gains (losses)	(173)	(173)	642	640	517
Trading account gains (losses)	(20)	(20)	19	19	71
Non-interest expense	23,080	11,797	41,939	29,938	19,856
Federal income taxes	3,225	1,708	5,880	4,492	2,999

Income before accounting change	9,036	4,683	17,181	12,847	8,446
Cumulative effect of accounting change, net of tax	0	0	(101)	(101)	(101)

Net income

\$9,036 \$4,683 \$17,080 \$12,746 \$8,345

Per share:

Basic earnings before accounting change

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

Basic earnings

0.91 0.47 1.70 1.27 0.83

Diluted earnings before accounting change

n/a n/a 1.71 1.27 0.84

Diluted earnings

0.90 0.47 1.69 1.26 0.83

Common dividends

0.36 0.18 0.68 0.51 0.34

Book value

13.71 12.96 12.90 13.04 12.29

Tangible book value

11.85 11.11 11.10 12.90 12.15

Market value

27.30 24.25 21.61 20.50 22.90

Weighted average shares outstanding:

Basic

9,948,346 9,944,671 10,013,068 10,021,471 10,013,966

Diluted

10,071,366 10,054,758 10,080,005 10,087,935 10,079,973

Period end balance sheet:

Assets

\$1,719,744 \$1,684,848 \$1,680,356 \$1,609,019 \$1,578,370

Securities

448,736 411,897 417,496 407,004 380,262

Total loans

1,092,398 1,114,314 1,121,892 1,060,778 1,075,039

Reserve for loan losses

16,810 16,884 16,695 15,429 15,609

Deposits

1,146,451 1,131,199 1,123,131 1,057,291 1,059,758

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Total shareholders equity
 136,293 128,853 128,299 130,766 123,107
 Tier I capital
 141,011 139,474 137,395 149,171 119,857
 Tier I ratio
 11.9% 11.3% 11.3% 13.1% 10.4%
 Total capital
 155,799 154,854 152,550 163,385 134,302
 Total capital ratio
 13.2% 12.6% 12.6% 14.4% 11.6%
 Total risk-adjusted assets
 1,181,029 1,228,918 1,210,858 1,135,902 1,155,561
 Tier I leverage ratio
 8.4% 8.3% 8.2% 9.4% 7.6%

Average balance sheet:

Assets
 \$1,709,483 \$1,691,123 \$1,595,968 \$1,565,914 \$1,557,263
 Earning assets
 1,600,096 1,581,704 1,502,164 1,477,650 1,468,866
 Loans
 1,103,611 1,109,990 1,078,196 1,070,655 1,073,705
 Deposits
 1,141,511 1,129,829 1,070,439 1,057,156 1,054,929
 Shareholders equity
 131,450 130,152 124,773 122,586 120,368

Key ratios: (%) (1)

Return on average assets (ROA)
 1.06 1.11 1.09 1.09 1.08
 Return on average shareholders equity (ROE)
 13.75 14.39 13.93 13.97 14.03
 Net interest margin
 3.70 3.72 3.49 3.47 3.45
 Net overhead
 1.74 1.68 1.51 1.52 1.52
 Efficiency ratio
 59.47 59.46 58.35 58.20 58.36

Credit quality:

Non-accrual loans
 \$6,287 \$5,313 \$5,004 \$4,273 \$4,666
 Restructured loans
 197 0 258 358 38
 90 day past due and accruing
 6,011 6,257 5,304 4,693 5,415

Non-performing loans
 12,495 11,570 10,566 9,324 10,119
 Other real estate owned

1,644 1,423 1,399 1,322 1,063

Non-performing assets

\$14,139 \$12,993 \$11,965 \$10,646 \$11,182

Charge-offs

\$2,910 \$1,285 \$6,471 \$4,013 \$2,670

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	<u>June 2002</u>	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>
Recoveries					
789 541 1,353 1,134 959					
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Net charge-offs					
\$2,121 \$744 \$5,118 \$2,879 \$1,711					
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Reserve for loan losses as a percent of period-end loans (%)					
1.54 1.52 1.49 1.45 1.45					
Net charge-offs (annualized) as a percent of average loans (%)					
0.38 0.27 0.47 0.36 0.32					
Non-performing loans as a percent of loans					
1.14 1.04 0.94 0.88 0.94					
Non-performing assets as a percent of assets					
0.82 0.77 0.71 0.66 0.71					

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

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

(Dollars in thousands, except per share data)

	<u>June 2002</u>	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>
INTEREST INCOME					

Loans (including fees):

Taxable

\$19,965 \$20,471 \$20,764 \$21,015 \$21,751

Exempt from federal income taxes

233 243 257 268 279

Securities:

Taxable

5,797 5,322 5,716 5,471 5,302

Exempt from federal income taxes

715 774 789 800 775

Federal funds sold and other temp. investments

394 213 268 326 298

Total interest income

27,104 27,023 27,794 27,880 28,405

INTEREST EXPENSE

Deposits

7,429 7,674 8,882 10,467 11,192

Federal funds purchased and securities sold under agreements to repurchase

636 566 727 937 1,053

Note Payable

0 0 0 13 16

Other borrowed funds

2 16 15 23 15

Federal Home Loan Bank advances

3,901 3,877 3,939 3,946 3,831

Corporation-obligated manditorily redeemable capital securities of subsidiary trust

733 733 728 21 0

Total interest expense

12,701 12,866 14,291 15,407 16,107

Net interest income

14,403 14,157 13,503 12,473 12,298

Provision for loan losses

1,303 933 1,627 988 1,342

Net interest income after provision for loan losses

13,100 13,224 11,876 11,485 10,956

NON-INTEREST INCOME

Service charges on deposit accounts

1,411 1,320 1,424 1,344 1,273

Trust fees

696 786 604 761 749

Gain on sale of loans

1,709 1,544 2,531 1,394 1,106

Trading account (losses) gains

0 (20) 0 (52) 13

Security (losses) gains

0 (173) 2 123 (12)

Other operating income

237 1,507 1,286 921 1,502

Total non-interest income

4,053 4,964 5,847 4,491 4,631

NON-INTEREST EXPENSE

Salaries and employee benefits	6,325	6,309	5,941	5,313	5,096
Net occupancy	1,125	1,137	1,084	1,001	1,062
Equipment	1,023	1,202	883	1,038	921
Professional services	443	485	716	320	397
Assessment on deposits and other taxes	330	329	321	415	405
Amortization of goodwill and other intangibles	111	110	135	81	80
Merger costs	0	0	305	0	0
Other operating expenses	1,926	2,225	2,616	1,914	1,844

Total non-interest expense	11,283	11,797	12,001	10,082	9,805
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Income before federal income taxes	5,870	6,391	5,722	5,894	5,782
Income tax expense	1,517	1,708	1,388	1,493	1,524

Income before accounting change
4,353 4,683 4,334 4,401 4,258
Cumulative effect of accounting change, net of tax
0 0
Net income
\$4,353 \$4,683 \$4,334 \$4,401 \$4,258

NET INCOME PER COMMON SHARE:

Basic before accounting change
n/a n/a n/a n/a n/a
Basic
\$0.44 \$0.47 \$0.43 \$0.44 \$0.42
Diluted before accounting change
n/a n/a n/a n/a n/a
Diluted
\$0.43 \$0.47 \$0.43 \$0.43 \$0.42

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	<u>June 2002</u>	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>
Weighted average common shares outstanding:					
Basic					
9,958,928	9,944,671	9,988,137	10,033,365	10,007,904	
Diluted					
10,087,003	10,054,758	10,075,690	10,117,705	10,103,060	
Note: Fully taxable equivalent adjustment					
\$510	\$548	\$563	\$575	\$568	

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

	<u>June 2002</u>	<u>March 2002</u>	<u>Dec. 2001</u>	<u>Sept. 2001</u>	<u>June 2001</u>
INTEREST INCOME					
Loans (including fees):					
Taxable					
\$40,436	\$20,471	\$85,631	\$64,867	\$43,852	
Exempt from federal income taxes					
476	243	1,092	835	567	
Securities:					
Taxable					
11,119	5,322	21,614	15,898	10,427	
Exempt from federal income taxes					
1,489	774	3,137	2,348	1,548	
Federal funds sold and other temp. investments					
607	213	1,083	815	489	
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Total interest income					
54,127	27,023	112,557	84,763	56,883	
INTEREST EXPENSE					
Deposits					
15,103	7,674	42,010	33,128	22,661	
Federal funds purchased and securities sold under agreements to repurchase					

1,202 566 3,904 3,177 2,240

Note Payable

0 0 47 47 34

Other borrowed funds

18 16 90 75 52

Federal Home Loan Bank advances

7,778 3,877 15,567 11,628 7,682

Corporation-obligated mandatorily redeemable capital securities of subsidiary trust

1,466 733 749 21 0

Total interest expense

25,567 12,866 62,367 48,076 32,669

Net interest income

28,560 14,157 50,190 36,687 24,214

Provision for loan losses

2,236 933 4,718 3,091 2,103

Net interest income after provision for loan losses

26,324 13,224 45,472 33,596 22,111

NON-INTEREST INCOME

Service charges on deposit accounts

2,731 1,320 5,302 3,878 2,534

Trust fees

1,482 786 2,870 2,266 1,505

Gain on sale of loans

3,253 1,544 5,814 3,283 1,889

Trading account (losses) gains

(20) (20) 19 19 71

Security (losses) gains

(173) (173) 642 640 517

Other operating income

1,744 1,507 4,881 3,595 2,674

Total non-interest income

9,017 4,964 19,528 13,681 9,190

NON-INTEREST EXPENSE

Salaries and employee benefits

12,634 6,309 21,544 15,603 10,290

Net occupancy

2,262 1,137 4,263 3,179 2,178

Equipment

2,225 1,202 3,891 3,008 1,970

Professional services

928 485 1,776 1,060 740

Assessment on deposits and other taxes

659 329 1,542 1,221 806

Amortization of goodwill and other intangibles

221 110 377 242 161

Merger costs

0 0 305 0 0

Other operating expenses

4,151 2,225 8,241 5,625 3,711

Total non-interest expense

23,080 11,797 41,939 29,938 19,856

Income before federal income taxes
 12,261 6,391 23,061 17,339 11,445
 Income tax expense
 3,225 1,708 5,880 4,492 2,999

Income before accounting change
 9,036 4,683 17,181 12,847 8,446
 Cumulative effect of accounting change, net of tax
 0 0 (101) (101) (101)
 Net income
 \$9,036 \$4,683 \$17,080 \$12,746 \$8,345

NET INCOME PER COMMON SHARE:

Basic before accounting change
 n/a n/a \$1.72 \$1.28 \$0.84
 Basic
 \$0.91 \$0.47 \$1.70 \$1.27 \$0.83
 Diluted before accounting change
 n/a n/a \$1.71 \$1.27 \$0.84
 Diluted
 \$0.90 \$0.47 \$1.69 \$1.26 \$0.83
 Weighted average common shares outstanding:

Basic
 9,948,346 9,944,671 10,013,068 10,021,471 10,013,966

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Diluted

10,071,366 10,054,758 10,080,005 10,087,935 10,079,973

Note: Fully taxable equivalent adjustment

\$1,058 \$548 \$2,277 \$1,714 \$1,139

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

	<u>June</u> <u>30</u>	<u>March</u> <u>31</u>	<u>Dec.</u> <u>31</u>	<u>Sept.</u> <u>30</u>	<u>June</u> <u>30</u>
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>	<u>2001</u>
ASSETS					
Cash and due from banks	\$36,230	\$36,397	\$40,837	\$32,441	\$36,024
Federal funds sold and other temp. investments	64,194	42,631	24,016	51,233	27,979
Securities:					
Trading	0	0	0	0	0
Available-for-sale	448,736	411,897	417,496	407,004	380,262
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Total securities	448,736	411,897	417,496	407,004	380,262
Loans:					
Commercial	485,652	500,604	508,579	425,149	434,416
Consumer	333,178	317,858	316,097	318,614	322,776
Real estate	273,568	295,852	297,216	317,015	317,847
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Total loans					

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1,092,398	1,114,314	1,121,892	1,060,778	1,075,039
Less reserve for loan losses				
16,810	16,884	16,695	15,429	15,609

Net loans				
1,075,588	1,097,430	1,105,197	1,045,349	1,059,430
Premises and equipment				
16,592	16,737	16,416	16,650	17,122
Accrued interest receivable				
8,724	9,596	10,272	10,272	9,759
Goodwill and intangible assets				
28,415	28,187	26,578	8,328	7,547
Other assets				
41,265	41,973	39,544	37,742	40,247

Total assets				
\$1,719,744	\$1,684,848	\$1,680,356	\$1,609,019	\$1,578,370

LIABILITIES AND SHAREHOLDERS EQUITY

Deposits:

Demand non-interest bearing				
\$145,006	\$138,107	\$144,953	\$111,539	\$109,477

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Demand interest bearing	98,893	99,284	105,221	94,831	90,077
Savings	394,907	335,460	276,628	234,601	234,314
Time deposits	507,645	558,348	596,329	616,320	625,890

Total deposits	1,146,451	1,131,199	1,123,131	1,057,291	1,059,758
Federal funds purchased and securities sold under agreements to repurchase	119,867	108,951	107,279	110,071	117,275
Note payable	0	0	0	0	1,000
Other borrowed funds	4,249	724	5,853	5,745	4,981
Accrued expenses and other liabilities	10,486	12,661	10,200	11,185	10,802
Federal Home Loan Bank advances	271,930	272,005	275,152	267,301	261,447
Corporation-obligated manditorily redeemable capital securities of subsidiary trust	30,468	30,455	30,442	26,660	0

Total liabilities	1,583,451	1,555,995	1,552,057	1,478,253	1,455,263
Shareholders equity:					
Common stock, no par value; 30,000,000 shares authorized;	38,822	37,722	37,453	37,424	37,166
Treasury stock	(19,462)	(17,397)	(16,798)	(15,072)	(14,740)
Other comprehensive income	7,265	1,424	3,434	6,850	1,810
Retained earnings	109,668	107,104	104,210	101,564	98,871

Total shareholders' equity
 136,293 128,853 128,299 130,766 123,107

Total liabilities and shareholders' equity
 \$1,719,744 \$1,684,848 \$1,680,356 \$1,609,019 \$1,578,370

Miscellaneous data:

Common shares issued
 10,932,360 10,856,360 10,832,810 10,828,310 10,802,510
 Treasury shares
 991,589 911,689 883,494 801,512 785,000
 Bank owned life insurance (in other assets)
 \$32,268 \$31,858 \$31,449 \$31,041 \$30,645
 Loans serviced for others
 \$1,047,988 \$936,559 \$812,774 \$652,337 \$565,044
 Mortgage servicing rights (net of allowance)
 \$10,323 \$10,006 \$8,313 \$6,560 \$5,688
 Goodwill
 14,645 14,645 14,645 1,014 1,061
 Other intangibles
 3,447 3,536 3,620 754 798

Total goodwill and intangibles assets
\$28,415 \$28,187 \$26,578 \$8,328 \$7,547

Valuation allowance for mortgage servicing rights included above
\$(2,285) \$(910) \$(810) \$(505) \$(30)

Net loans	1,080,472	1,093,106	1,083,826	1,049,191	1,059,193
Premises and equipment	16,849	16,449	16,716	17,061	17,448
Goodwill and intangible assets	28,654	27,169	20,309	7,985	6,471
Other	48,173	47,502	45,349	46,080	47,262

Total assets	\$1,727,642	\$1,691,123	\$1,685,148	\$1,582,934	\$1,570,016
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LIABILITIES AND SHAREHOLDERS EQUITY

Liabilities:

Demand deposits (non-interest bearing)	\$145,418	\$139,013	\$134,160	\$111,635	\$110,124
Demand deposits (interest bearing)	98,924	99,765	99,783	90,783	88,920
Savings	370,748	308,104	259,322	232,661	234,781
Time deposits					

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537,975 582,947 616,590 626,458 629,590

Total deposits

1,153,065 1,129,829 1,109,855 1,061,537 1,063,415

Federal funds purchased and securities sold under agreements to repurchase

128,361 114,128 130,769 112,029 111,816

Note payable

0 0 0 967 1,000

Borrowed funds

773 3,112 2,928 2,240 1,554

Accrued expenses and other liabilities

10,269 10,157 10,794 10,601 10,223

Federal Home Loan Bank advances

271,968 273,299 269,600 267,744 260,168

Corporation-obligated mandatorily redeemable capital securities of subsidiary trust

30,472 30,446 29,940 866 0

Total liabilities

1,594,908 1,560,971 1,553,886 1,455,984 1,448,176

Shareholders' equity:

Common stock

38,421 37,568 37,438 37,331 37,046

Treasury shares

(18,291) (17,281) (15,924) (14,814) (14,739)

Other comprehensive income

4,503 4,449 7,312 4,548 2,364

Retained earnings

108,101 105,416 102,436 99,885 97,169

Total shareholders' equity
132,734 130,152 131,262 126,950 121,840

Total liabilities and shareholders' equity
\$1,727,642 \$1,691,123 \$1,685,148 \$1,582,934 \$1,570,016

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

ASSETS	June 2002	March 2002	Dec. 2001	Sept. 2001	June 2001
Cash and demand balances due from banks	\$33,839	\$35,183	\$35,490	\$32,415	\$32,453
Federal funds sold					
73,438 51,953 31,125 25,578 19,726					
Securities:					
Trading					
61 123 114 119 153					
Available-for-sale					
422,986 419,638 392,729 381,298 375,282					
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Total securities					
423,047 419,761 392,843 381,417 375,435					
Loans:					
Commercial					
500,674 505,782 444,813 428,874 429,812					
Consumer					
318,612 313,542 316,032 316,009 314,063					
Real estate					
284,325 290,666 317,351 325,772 329,830					
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Total loans					
1,103,611 1,109,990 1,078,196 1,070,655 1,073,705					
Reserve for loan losses					
16,857 16,884 15,889 15,600 15,669					

Net loans	1,086,754	1,093,106	1,062,307	1,055,055	1,058,036
Premises and equipment	16,650	16,449	17,283	17,474	17,684
Goodwill and intangible assets	27,769	27,169	10,241	6,848	6,270
Other	47,986	47,502	46,679	47,127	47,659

Total assets	\$1,709,483	\$1,691,123	\$1,595,968	\$1,565,914	\$1,557,263
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LIABILITIES AND SHAREHOLDERS EQUITY

Liabilities:

Demand deposits (non-interest bearing)	\$142,233	\$139,013	\$115,857	\$109,689	\$108,700
Demand deposits (interest bearing)	99,342	99,765	90,762	87,722	86,166
Savings	339,599	308,104	242,242	236,486	238,430
Time deposits					

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560,337 582,947 621,578 623,259 621,633

Total deposits

1,141,511 1,129,829 1,070,439 1,057,156 1,054,929

Federal funds purchased and securities sold under agreements to repurchase

121,284 114,128 116,131 111,198 110,776

Note payable

0 0 740 989 1,000

Borrowed funds

1,936 3,112 2,240 2,008 1,890

Accrued expenses and other liabilities

10,213 10,157 10,161 9,948 9,616

Federal Home Loan Bank advances

272,630 273,299 263,719 261,737 258,684

Corporation-obligated mandatorily redeemable capital securities of subsidiary trust

30,459 30,446 7,765 292 0

Total liabilities

1,578,033 1,560,971 1,471,195 1,443,328 1,436,895

Shareholders' equity:

Common stock

37,997 37,568 37,192 37,109 36,996

Treasury shares

(17,789) (17,281) (14,989) (14,674) (14,603)

Net unrealized holding gains

4,476 4,449 3,947 2,813 1,931

Retained earnings

106,766 105,416 98,623 97,338 96,044

Total shareholders' equity
131,450 130,152 124,773 122,586 120,368

Total liabilities and shareholders' equity
\$1,709,483 \$1,691,123 \$1,595,968 \$1,565,914 \$1,557,263

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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: July 18, 2002

/s/ David L. Kellerman

David L. Kellerman, Treasurer

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