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SECOND BANCORP INC
Form 8-K
January 22, 2004

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 22, 2004

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 22, 2004, the Company issued the following press release:

SECOND BANCORP REPORTS EARNINGS FOR
FOURTH QUARTER AND YEAR

WARREN, OHIO, JANUARY 22, 2004--SECOND BANCORP INCORPORATED (NASDAQ "SECD", "SECDP") reported net income for the fourth quarter 2003 of \$4,149,000 or \$.43 per diluted share compared to \$3,428,000 or \$.34 per diluted share for the same period last year. For the full year 2003, net income was substantially higher than the prior year's results finishing at \$23,155,000 or \$2.41 per diluted share compared to \$18,000,000 or \$1.79 a year ago, all as computed on a GAAP basis. For comparison purposes, reported 2003 earnings include a one time \$3.65 million (or \$.38 per diluted share) after-tax gain on the sale of two banking centers completed during the first quarter. In addition, year-ago earnings for the fourth quarter were restrained by non-operating merger costs and expenses associated with the implementation of subsidiary Second National Bank's branch reconfiguration strategy.

Returns on average assets (ROA) for the quarter and the year were .79% and 1.18% respectively (compared to .75% and 1.03% a year ago) and returns on average equity (ROE) were 12.42% for the quarter and 17.06% for the full year (compared to 9.99% and 13.42% respectively in 2002). Persistently low interest rates continued to compress the Company's net interest margin which was 3.00% for the just completed fourth quarter compared to 3.38% during the same period last year. For the year, net interest margin was 3.14% compared to 3.56% for 2002. The Company's efficiency ratio for the quarter was 69.12% and 59.63% for the year.

Second Bancorp President and Chief Executive Officer R. L. (Rick) Blossom stated "Including the first quarter branch sale, 2003 was the most profitable year in

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Second Bancorp's history reflecting the hard work of our highly skilled and dedicated staff of more than 600 associates. Though fourth quarter results were slowed by the combination of a narrowing net interest margin and reduced earnings from mortgage lending as refinancing activity abated, our business footings

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are solid and we look forward to becoming a significant contributor to our merger partner, Sky Financial Group."

Second Bancorp announced January 8, 2004 that it has entered with Sky Financial Group, Inc. into a definitive merger agreement under which Sky Financial will acquire all of Second Bancorp's outstanding shares in a stock-for-stock transaction. Under the agreement, Second Bancorp's common shareholders will receive 1.26 shares of Sky Financial stock for each of their shares in a \$321 million or \$33.05 per Second Bancorp common share deal valued as of the date of the announcement. The transaction, subject to Second Bancorp shareholder and regulatory approval, is expected to be completed at the end of the second quarter of 2004.

The Company also reported that its Board of Directors declared a nineteen cent (\$.19) per share common dividend payable January 30, 2004 to shareholders of record on January 15. That dividend is unchanged from the previous quarter and is 5.6% higher than the dividend paid during the same quarter last year.

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.

SHAREHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS REGARDING THE REFERENCED PROPOSED TRANSACTION TO BE FILED BY SKY FINANCIAL GROUP, INC. AND SECOND BANCORP INCORPORATED WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Shareholders will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about Sky Financial and Second Bancorp, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the joint proxy statement/ prospectus also can be obtained, without charge, by directing a request to Sky Financial Group, Inc., 221 South Church Street, Bowling Green, Ohio 43402, Attention: Shareholder Relations (800-576-5007), or to Second Bancorp Incorporated, 108 Main Avenue, S.W., Warren, Ohio 44481, Attention: Executive Vice President and Secretary (330-841-0234).

Second Bancorp and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Second Bancorp in connection with the proposed merger transaction. Information about the directors and executive officers of Second Bancorp is available in its proxy statement filed with the SEC on March 5, 2003. Additional information regarding the participants in the proxy solicitation and a description of their direct and indirect interests will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities.

Second Bancorp is a \$2.1 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

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Northeastern Ohio through subsidiaries Second National Bank and Stouffer-Herzog Insurance Agency, Inc.

Additional information about Second Bancorp and information about products and services offered by Second National Bank can be found on the Web at www.secondnationalbank.com.

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

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SECOND BANCORP INCORPORATED AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
QUARTERLY DATA
(Dollars in thousands, except per share data)

	Dec. 2003 -----	Sept. 2003 -----	June 2003 -----
EARNINGS:			
Net interest income	\$ 14,181	\$ 13,817	\$ 13,790
Provision for loan losses	1,486	1,096	2,855
Non-interest income	5,581	3,491	10,700
Security gains (losses)	967	3,566	0
Trading account losses	0	0	0
Non-interest expense	13,998	13,076	14,016
Federal income taxes	1,096	1,795	2,181
	-----	-----	-----
NET INCOME	\$ 4,149	\$ 4,907	\$ 5,438
	=====	=====	=====
PER SHARE:			
Basic earnings	0.44	0.52	0.57
Diluted earnings	0.43	0.51	0.57
Common dividends	0.19	0.19	0.19
Book value	14.47	14.34	14.81
Tangible book value	12.17	12.05	12.40
Market value	26.40	27.24	25.80
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	9,471,371	9,474,925	9,484,646
Diluted	9,616,188	9,610,350	9,575,001
PERIOD END BALANCE SHEET:			
Assets	\$ 2,116,530	\$ 2,074,750	\$ 1,926,233
Securities	620,696	602,893	556,434
Total loans	1,349,820	1,301,618	1,199,630
Allowance for loan losses	18,874	18,372	18,030
Deposits	1,215,342	1,165,281	1,172,816
Total shareholders' equity	137,016	135,799	140,215
Tier I capital	146,397	144,583	140,335
Tier I ratio	10.2%	10.4%	10.8%
Total capital	164,396	161,946	156,613
Total capital ratio	11.4%	11.7%	12.0%
Total risk-adjusted assets	1,439,030	1,388,065	1,300,512
Tier I leverage ratio	7.1%	7.3%	7.6%
AVERAGE BALANCE SHEET:			
Assets	\$ 2,092,553	\$ 2,004,789	\$ 1,908,978
Earning assets	1,957,682	1,871,145	1,789,611
Loans	1,317,153	1,245,980	1,197,300
Deposits	1,196,389	1,157,817	1,159,719

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Shareholders' equity	133,653	134,844	139,269
KEY RATIOS: (%)			
Return on average assets (ROA)	0.79	0.98	1.14
Return on average shareholders' equity (ROE)	12.42	14.56	15.62
Net interest margin	3.00	3.06	3.19
Net overhead	1.72	2.05	0.74
Efficiency ratio	69.12	73.49	56.10
CREDIT QUALITY:			
Non-accrual loans	\$ 13,348	\$ 12,735	\$ 12,238
Restructured loans	1,017	461	340
90 day past due and accruing	8,879	8,625	7,231
	-----	-----	-----
Non-performing loans	23,244	21,821	19,809
Other real estate owned	713	753	621
	-----	-----	-----
Non-performing assets	\$ 23,957	\$ 22,574	\$ 20,430
	=====	=====	=====
Charge-offs	\$ 1,111	\$ 918	\$ 2,721
Recoveries	126	165	139
	-----	-----	-----
Net charge-offs	\$ 985	\$ 753	\$ 2,582
	=====	=====	=====
Allowance for loan losses as a percent of period-end loans (%)	1.40	1.41	1.50
Net charge-offs (annualized) as a percent of average loans (%)	0.30	0.24	0.86
Non-performing loans as a percent of loans	1.72	1.68	1.65
Non-performing assets as a percent of assets	1.13	1.09	1.06

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SECOND BANCORP INCORPORATED AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
YEAR-TO-DATE DATA
(Dollars in thousands, except per share data)

	Dec. 2003	Sept. 2003	June 2003
	-----	-----	-----
EARNINGS:			
Net interest income	\$ 55,871	\$ 41,690	\$ 27,873
Provision for loan losses	7,610	6,124	5,028
Non-interest income	33,983	28,402	24,911
Security gains (losses)	4,584	3,617	51
Trading account losses	0	0	0
Non-interest expense	54,763	40,765	27,689
Federal income taxes	8,910	7,814	6,019
	-----	-----	-----
NET INCOME	\$ 23,155	\$ 19,006	\$ 14,099
	=====	=====	=====
PER SHARE:			
Basic earnings	2.43	1.99	1.48
Diluted earnings	2.41	1.97	1.46
Common dividends	0.76	0.57	0.38
Book value	14.47	14.34	14.81
Tangible book value	12.17	12.05	12.40
Market value	26.40	27.24	25.80

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WEIGHTED AVERAGE SHARES OUTSTANDING:

Basic	9,512,324	9,526,125	9,552,149
Diluted	9,623,388	9,631,663	9,644,621

PERIOD END BALANCE SHEET:

Assets	\$ 2,116,530	\$ 2,074,750	\$ 1,926,233
Securities	620,696	602,893	556,434
Total loans	1,349,820	1,301,618	1,199,630
Allowance for loan losses	18,874	18,372	18,030
Deposits	1,215,342	1,165,281	1,172,816
Total shareholders' equity	137,016	135,799	140,215
Tier I capital	146,397	144,583	140,335
Tier I ratio	10.2%	10.4%	10.8%
Total capital	164,396	161,946	156,613
Total capital ratio	11.4%	11.7%	12.0%
Total risk-adjusted assets	1,439,030	1,388,065	1,300,512
Tier I leverage ratio	7.1%	7.3%	7.6%

AVERAGE BALANCE SHEET:

Assets	\$ 1,969,670	\$ 1,928,259	\$ 1,889,360
Earning assets	1,842,980	1,804,326	1,770,363
Loans	1,234,926	1,207,216	1,187,513
Deposits	1,162,555	1,151,153	1,147,766
Shareholders' equity	135,748	136,454	137,273

KEY RATIOS: (%)

Return on average assets (ROA)	1.18	1.31	1.49
Return on average shareholders' equity (ROE)	17.06	18.57	20.54
Net interest margin	3.14	3.19	3.26
Net overhead	1.13	0.91	0.31
Efficiency ratio	59.63	56.95	51.48

CREDIT QUALITY:

Non-accrual loans	\$ 13,348	\$ 12,735	\$ 12,238
Restructured loans	1,017	461	340
90 day past due and accruing	8,879	8,625	7,231
	-----	-----	-----
Non-performing loans	23,244	21,821	19,809
Other real estate owned	713	753	621
	-----	-----	-----
Non-performing assets	\$ 23,957	\$ 22,574	\$ 20,430
	=====	=====	=====
Charge-offs	\$ 6,963	\$ 5,852	\$ 4,934
Recoveries	631	505	340
	-----	-----	-----
Net charge-offs	\$ 6,332	\$ 5,347	\$ 4,594
	=====	=====	=====
Allowance for loan losses as a percent of period-end loans (%)	1.40	1.41	1.50
Net charge-offs (annualized) as a percent of average loans (%)	0.51	0.59	0.77
Non-performing loans as a percent of loans	1.72	1.68	1.65
Non-performing assets as a percent of assets	1.13	1.09	1.06

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	Dec. 2003 -----	Sept. 2003 -----	June 2003 -----
INTEREST INCOME			
Loans (including fees):			
Taxable	\$ 19,286	\$ 18,950	\$ 18,814
Exempt from federal income taxes	209	212	206
Securities:			
Taxable	5,819	5,348	5,518
Exempt from federal income taxes	703	689	714
Federal funds sold and other temp. investments	27	30	136
	-----	-----	-----
Total interest income	26,044	25,229	25,388
INTEREST EXPENSE			
Deposits	5,338	5,118	5,563
Federal funds purchased and securities sold under agreements to repurchase	682	613	596
Note Payable	47	50	54
Other borrowed funds	3	2	3
Federal Home Loan Bank advances	4,971	4,895	4,649
Debentures and capital securities	822	734	733
	-----	-----	-----
Total interest expense	11,863	11,412	11,598
	-----	-----	-----
Net interest income	14,181	13,817	13,790
Provision for loan losses	1,486	1,096	2,855
	-----	-----	-----
Net interest income after provision for loan losses	12,695	12,721	10,935
NON-INTEREST INCOME			
Mortgage banking income	441	(1,157)	6,550
Service charges on deposit accounts	1,628	1,549	1,555
Trust fees	757	631	563
Security gains (losses)	967	3,566	0
Gain on sale of banking centers	0	0	0
Other operating income	2,755	2,468	2,032
	-----	-----	-----
Total non-interest income	6,548	7,057	10,700
NON-INTEREST EXPENSE			
Salaries and employee benefits	7,636	6,701	7,642
Net occupancy	1,236	1,180	1,125
Equipment	909	1,045	1,059
Professional services	805	707	1,138
Assessment on deposits and other taxes	222	501	388
Amortization of intangible assets	124	113	112
Merger costs	0	0	0
Banking center reconfiguration	0	0	0
Other operating expenses	3,066	2,829	2,552
	-----	-----	-----
Total non-interest expense	13,998	13,076	14,016
	-----	-----	-----
Income before federal income taxes	5,245	6,702	7,619
Income tax expense	1,096	1,795	2,181
	-----	-----	-----
Net income	\$ 4,149	\$ 4,907	\$ 5,438
	=====	=====	=====
NET INCOME PER COMMON SHARE:			
Basic	\$ 0.44	\$ 0.52	\$ 0.57
Diluted	\$ 0.43	\$ 0.51	\$ 0.57
Weighted average common shares outstanding:			
Basic	9,471,371	9,474,925	9,484,646

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Diluted	9,616,188	9,610,350	9,575,001
Note: Fully taxable equivalent adjustment	\$ 491	\$ 485	\$ 495

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SECOND BANCORP INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEAR-TO-DATE DATA
(Dollars in thousands, except per share data)

	Dec. 2003 -----	Sept. 2003 -----	June 2003 -----
INTEREST INCOME			
Loans (including fees):			
Taxable	\$ 75,655	\$ 56,369	\$ 37,419
Exempt from federal income taxes	838	629	417
Securities:		0	
Taxable	22,919	17,100	11,752
Exempt from federal income taxes	2,834	2,131	1,442
Federal funds sold and other temp. investments	316	289	259
	-----	-----	-----
Total interest income	102,562	76,518	51,289
INTEREST EXPENSE			
Deposits	21,798	16,460	11,342
Federal funds purchased and securities sold under agreements to repurchase	2,472	1,790	1,177
Note Payable	214	167	117
Other borrowed funds	11	8	6
Federal Home Loan Bank advances	19,174	14,203	9,308
Debentures and capital securities	3,022	2,200	1,466
	-----	-----	-----
Total interest expense	46,691	34,828	23,416
	-----	-----	-----
Net interest income	55,871	41,690	27,873
Provision for loan losses	7,610	6,124	5,028
	-----	-----	-----
Net interest income after provision for loan losses	48,261	35,566	22,845
NON-INTEREST INCOME			
Mortgage banking revenue	10,194	9,751	10,908
Service charges on deposit accounts	6,259	4,631	3,082
Trust fees	2,560	1,803	1,172
Trading account losses	0	0	0
Security gains (losses)	4,584	3,617	51
Gain on sale of banking centers	5,619	5,619	5,619
Other operating income	9,351	6,598	4,130
	-----	-----	-----
Total non-interest income	38,567	32,019	24,962
NON-INTEREST EXPENSE			
Salaries and employee benefits	29,583	21,947	15,246
Net occupancy	4,740	3,504	2,324
Equipment	4,052	3,143	2,098
Professional services	3,417	2,612	1,905
Assessment on deposits and other taxes	1,503	1,281	780
Amortization of intangible assets	467	343	230
Merger costs	0	0	0

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Banking center reconfiguration	0	0	0
Other operating expenses	11,001	7,935	5,106
	-----	-----	-----
Total non-interest expense	54,763	40,765	27,689
	-----	-----	-----
Income before federal income taxes	32,065	26,820	20,118
Income tax expense	8,910	7,814	6,019
	-----	-----	-----
Net income	\$ 23,155	\$ 19,006	\$ 14,099
	-----	-----	-----
NET INCOME PER COMMON SHARE:			
Basic	\$ 2.43	\$ 1.99	\$ 1.48
Diluted	\$ 2.41	\$ 1.97	\$ 1.46
Weighted average common shares outstanding:			
Basic	9,512,324	9,526,125	9,552,149
Diluted	9,623,388	9,631,663	9,644,621
	-----	-----	-----
Note: Fully taxable equivalent adjustment	\$ 1,977	\$ 1,486	\$ 1,001

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SECOND BANCORP INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	Dec. 31 2003	Sept. 30 2003	June 30 2003
	-----	-----	-----
ASSETS			
Cash and due from banks	\$ 40,773	\$ 57,305	\$ 42,194
Federal funds sold and other temp. investments	6,529	13,128	44,505
Securities available-for-sale (at market value)	620,696	602,893	556,434
Loans:			
Commercial	631,170	598,762	571,788
Consumer	399,137	372,826	339,723
Real estate (including loans held for sale)	319,513	330,030	288,119
	-----	-----	-----
Total loans	1,349,820	1,301,618	1,199,630
Less allowance for loan losses	18,874	18,372	18,030
	-----	-----	-----
Net loans	1,330,946	1,283,246	1,181,600
Premises and equipment	19,013	17,944	17,048
Accrued interest receivable	8,501	8,710	8,289
Goodwill and intangible assets	20,047	20,117	20,230
Servicing assets	20,936	19,827	14,880
Other assets	49,089	51,580	41,053
	-----	-----	-----
Total assets	\$ 2,116,530	\$ 2,074,750	\$ 1,926,233
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand - non-interest bearing	\$ 170,176	\$ 165,242	\$ 155,285
Demand - interest bearing	142,709	164,186	204,430
Savings	346,851	350,231	347,722
Time deposits	555,606	485,622	465,379

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Total deposits	----- 1,215,342	----- 1,165,281	----- 1,172,816
Federal funds purchased and securities sold under agreements to repurchase	216,761	238,047	175,011
Note payable	7,750	7,750	7,750
Other borrowed funds	1,301	1,579	1,219
Accrued expenses and other liabilities	14,524	17,562	19,612
Federal Home Loan Bank advances	492,299	478,198	379,089
Debentures	31,537	0	0
Corporation-obligated mandatorily redeemable capital securities of subsidiary trust	0	30,534	30,521
Total liabilities	----- 1,979,514	----- 1,938,951	----- 1,786,018
Shareholders' equity:			
Common stock, no par value; 30,000,000 shares authorized;	42,973	42,815	41,750
Treasury stock	(36,173)	(36,173)	(34,771)
Other comprehensive income	(834)	457	7,642
Retained earnings	131,050	128,700	125,594
Total shareholders' equity	----- 137,016	----- 135,799	----- 140,215
Total liabilities and shareholders' equity	----- \$ 2,116,530 =====	----- \$ 2,074,750 =====	----- \$ 1,926,233 =====
Miscellaneous data:			
Common shares issued	10,991,460	10,990,460	10,936,760
Treasury shares	1,520,089	1,520,089	1,468,541
Bank owned life insurance (in other assets)	\$ 34,742	\$ 34,149	\$ 33,769
Loans serviced for others	\$ 1,750,733	\$ 1,692,880	\$ 1,631,790
Goodwill	\$ 16,700	\$ 16,647	\$ 16,647
Other intangibles	3,347	3,470	3,583
Total goodwill and intangible assets	----- \$ 20,047 =====	----- \$ 20,117 =====	----- \$ 20,230 =====
Mortgage servicing rights (net of allowance)	\$ 20,512	\$ 19,378	\$ 14,429
Other servicing assets	424	449	451
	----- \$ 20,936 =====	----- \$ 19,827 =====	----- \$ 14,880 =====
Valuation allowance for mortgage servicing rights included above	----- \$ (2,393) =====	----- \$ (2,774) =====	----- \$ (6,304) =====

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ASSETS -----	Dec. 2003 -----	Sept. 2003 -----	June 2003 -----
Cash and demand balances			
due from banks	\$ 40,524	\$ 43,675	\$ 37,686
Federal funds sold and other temp. investments	12,219	14,697	50,390
Securities:			
Trading	0	0	0
Available-for-sale	628,310	610,468	541,921
	-----	-----	-----
Total securities	628,310	610,468	541,921
Loans:			
Commercial	613,183	584,553	562,499
Consumer	389,303	353,299	336,303
Real estate (including loans held for sale)	314,667	308,128	298,498
	-----	-----	-----
Total loans	1,317,153	1,245,980	1,197,300
Allowance for loan losses	18,463	18,137	17,787
	-----	-----	-----
Net loans	1,298,690	1,227,843	1,179,513
Premises and equipment	19,020	17,666	16,828
Goodwill and intangible assets	20,076	20,166	20,282
Servicing assets	20,105	17,377	14,859
Other	53,609	52,897	47,499
	-----	-----	-----
Total assets	\$ 2,092,553 =====	\$ 2,004,789 =====	\$ 1,908,978 =====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Demand deposits (non-interest bearing)	\$ 167,689	\$ 161,281	\$ 159,636
Demand deposits (interest bearing)	152,202	187,231	183,323
Savings	353,391	346,965	356,281
Time deposits	523,107	462,340	460,479
	-----	-----	-----
Total deposits	1,196,389	1,157,817	1,159,719
Federal funds purchased and securities sold			
under agreements to repurchase	230,115	208,549	178,618
Note payable	7,749	7,750	8,369
Borrowed funds	370	563	186
Accrued expenses and other			
liabilities	15,693	17,626	18,243
Federal Home Loan Bank advances	478,044	447,116	374,061
Debentures and capital securities	30,540	30,524	30,513
	-----	-----	-----
Total liabilities	1,958,900	1,869,945	1,769,709
Shareholders' equity:			
Common stock	42,839	42,506	41,747
Treasury shares	(36,172)	(35,646)	(34,127)
Other comprehensive income	(2,128)	939	7,434
Retained earnings	129,114	127,045	124,215
	-----	-----	-----
Total shareholders' equity	133,653	134,844	139,269
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 2,092,553 =====	\$ 2,004,789 =====	\$ 1,908,978 =====

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SECOND BANCORP INCORPORATED AND SUBSIDIARIES
CONSOLIDATED AVERAGE BALANCE SHEETS
FOR THE YEAR-TO-DATE PERIOD ENDED:
(Dollars in Thousands)

ASSETS -----	Dec. 2003 -----	Sept. 2003 -----	June 2003 -----
Cash and demand balances			
due from banks	\$ 40,085	\$ 39,937	\$ 38,037
Federal funds sold	30,406	36,535	47,635
Securities:			
Trading	0	0	0
Available-for-sale	577,648	560,575	535,215
Total securities	577,648	560,575	535,215
Loans:			
Commercial	578,215	566,431	557,220
Consumer	351,092	338,215	330,548
Real estate (including loans held for sale)	305,619	302,570	299,745
Total loans	1,234,926	1,207,216	1,187,513
Allowance for loan losses	17,991	17,832	17,677
Net loans	1,216,935	1,189,384	1,169,836
Premises and equipment	17,513	17,005	16,669
Goodwill and intangible assets	20,245	20,302	20,371
Servicing assets	16,434	15,197	14,089
Other	50,404	49,324	47,508
Total assets	\$ 1,969,670 =====	\$ 1,928,259 =====	\$ 1,889,360 =====
 LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Demand deposits (non-interest bearing)	\$ 160,499	\$ 158,076	\$ 156,447
Demand deposits (interest bearing)	160,226	162,930	150,578
Savings	359,712	361,842	369,404
Time deposits	482,118	468,305	471,337
Total deposits	1,162,555	1,151,153	1,147,766
Federal funds purchased and securities sold under agreements to repurchase	195,619	183,994	171,513
Note payable	8,393	8,610	9,047
Borrowed funds	394	402	320
Accrued expenses and other liabilities	17,351	17,910	18,054
Federal Home Loan Bank advances	419,091	399,224	374,881
Debentures and capital securities	30,519	30,512	30,506
Total liabilities	1,833,922	1,791,805	1,752,087
Shareholders' equity:			
Common stock	42,216	42,006	41,752
Treasury shares	(34,172)	(33,498)	(32,406)
Net unrealized holding gains	3,225	5,029	7,108
Retained earnings	124,479	122,917	120,819
Total shareholders' equity	135,748	136,454	137,273
Total liabilities and			

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shareholders' equity	\$ 1,969,670	\$ 1,928,259	\$ 1,889,360
	=====	=====	=====

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SECOND BANCORP INCORPORATED AND SUBSIDIARIES
 FINANCIAL HIGHLIGHTS - NON-GAAP OPERATING RESULTS
 QUARTERLY DATA
 (Dollars in thousands, except per share data)

	Dec. 2003	Sept. 2003	June 2003	Marc
	-----	-----	-----	-----
EARNINGS:				
Net interest income	\$ 14,181	\$ 13,817	\$ 13,790	\$
Provision for loan losses	1,486	1,096	2,855	
Non-interest income	5,581	3,491	10,700	
Security gains (losses)	967	3,566	0	
Trading account losses	0	0	0	
Non-interest expense	13,998	13,076	14,016	
Federal income taxes	1,096	1,795	2,181	
	-----	-----	-----	-----
NET INCOME	\$ 4,149	\$ 4,907	\$ 5,438	\$
	=====	=====	=====	=====

KEY RATIOS: (%)

Return on average assets (ROA)	0.79	0.98	1.14
Return on average shareholders' equity (ROE)	12.42	14.56	15.62
Net interest margin	3.00	3.06	3.19
Net overhead	1.72	2.05	0.74
Efficiency ratio	69.12	73.49	56.10

SECOND BANCORP INCORPORATED AND SUBSIDIARIES
 RECONCILIATION OF GAAP VS. NON-GAAP OPERATING RESULTS
 QUARTERLY DATA

	Dec. 2003	Sept. 2003	June 2003	Marc
	-----	-----	-----	-----
Net income	\$ 4,149	\$ 4,907	\$ 5,438	\$
Adjustments to GAAP to reflect Non-GAAP Operating Basis:				
Add non-recurring costs:				
Sale of banking centers	0	0	0	
Merger costs	0	0	0	
Banking center reconfiguration	0	0	0	
	-----	-----	-----	-----
Total adjustments	0	0	0	
Federal income taxes (benefit)	0	0	0	
	-----	-----	-----	-----
Adjusted net income	\$ 4,149	\$ 4,907	\$ 5,438	\$
	=====	=====	=====	=====

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NOTE: RECAP OF INCOME FROM MORTGAGE BANKING ACTIVITIES

	Dec. 2003	Sept. 2003	June 2003	Marc
	-----	-----	-----	-----
Gross income from servicing	\$ 947	\$ 1,052	\$ 986	\$
Amortization of MSRs	(790)	(2,723)	(2,101)	
(Excess amortization) / net servicing income	157	(1,671)	(1,115)	
Change in valuation allowance MSRs	381	3,530	(1,522)	
Net derivative gain (loss) - non hedging	(834)	(6,759)	3,035	
	-----	-----	-----	-----
Income (loss) from Mortgage Servicing	(296)	(4,900)	398	
Gain on sale of mortgage loans	737	3,743	6,152	
Net mortgage banking revenue (loss)	\$ 441	\$ (1,157)	\$ 6,550	\$
	=====	=====	=====	=====

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SECOND BANCORP INCORPORATED AND SUBSIDIARIES FINANCIAL HIGHLIGHTS - NON-GAAP OPERATING RESULTS YEAR-TO-DATE DATA (Dollars in thousands, except per share data)

	Dec. 2003	Sept. 2003	June 2003	Marc
	-----	-----	-----	-----
EARNINGS:				
Net interest income	\$ 55,871	\$ 41,690	\$ 27,873	\$
Provision for loan losses	7,610	6,124	5,028	
Non-interest income	28,364	22,783	19,292	
Security gains (losses)	4,584	3,617	51	
Trading account losses	0	0	0	
Non-interest expense	54,763	40,765	27,689	
Federal income taxes	6,943	5,847	4,052	
	-----	-----	-----	-----
NET INCOME	\$ 19,503	\$ 15,354	\$ 10,447	\$
	=====	=====	=====	=====

KEY RATIOS: (%)

Return on average assets (ROA)	0.99	1.06	1.11
Return on average shareholders' equity (ROE)	14.37	15.00	15.22
Net interest margin	3.14	3.19	3.26
Net overhead	1.43	1.33	0.95
Efficiency ratio	63.52	61.80	57.49

SECOND BANCORP INCORPORATED AND SUBSIDIARIES RECONCILIATION OF GAAP VS. NON-GAAP OPERATING RESULTS YEAR-TO-DATE DATA

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	Dec. 2003	Sept. 2003	June 2003	March 2003
	-----	-----	-----	-----
Net income	\$ 23,155	\$ 19,006	\$ 14,099	\$
Adjustments to GAAP to reflect Non-GAAP Operating Basis:				
Add non-recurring costs:				
	-----	-----	-----	-----
Sale of banking centers	(5,619)	(5,619)	(5,619)	
Merger costs	0	0	0	
Banking center reconfiguration	0	0	0	
Total adjustments	(5,619)	(5,619)	(5,619)	
Federal income taxes (benefit)	(1,967)	(1,967)	(1,967)	
	-----	-----	-----	-----
Adjusted net income	\$ 19,503	\$ 15,354	\$ 10,447	\$
	=====	=====	=====	=====

NOTE: RECAP OF INCOME FROM MORTGAGE BANKING ACTIVITIES

	Dec. 2003	Sept. 2003	June 2003	March 2003
	-----	-----	-----	-----
Gross income from servicing	\$ 3,888	\$ 2,941	\$ 1,889	\$
Amortization of MSR's	(7,163)	(6,373)	(3,650)	
	-----	-----	-----	-----
(Excess amortization) / net servicing income	(3,275)	(3,432)	(1,761)	
Change in valuation allowance MSR's	1,400	1,019	(2,511)	
Net derivative gain (loss) - non hedging	(2,753)	(1,919)	4,840	
	-----	-----	-----	-----
Income (loss) from mortgage servicing	(4,628)	(4,332)	568	
Gain on sale of mortgage loans	14,822	14,083	10,340	
	-----	-----	-----	-----
Net mortgage banking revenue	\$ 10,194	\$ 9,751	\$ 10,908	\$
	=====	=====	=====	=====

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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 22, 2004

/s/ David L. Kellerman

David L. Kellerman
Chief Financial Officer and Treasurer

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