

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: October 17, 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 October 17, 2002, the Company issued the following press release:

SECOND BANCORP  
REPORTS STRONG THIRD QUARTER

Warren, Ohio, October 17, 2002—SECOND BANCORP INCORPORATED (Nasdaq “SECD”, “SECDP”) reported consolidated net income for third quarter 2002 of \$5,536,000, a 25.8% increase over the \$4,401,000 reported for the same period last year. Year-to-date earnings were \$14.57 million, 14.3% above the \$12.75 million reported for last year’s first nine months. On a per share basis, diluted earnings for the just completed quarter were \$.55 or 27.9% above the \$.43 reported for the year-ago quarter. Earnings per share for the first three quarters of the year reached \$1.45, a 15.1% improvement over the \$1.26 reported for the same period last year.

The Company’s key ratios for the quarter and for the first nine months of 2002 were similarly improved over the same periods last year. Returns on average assets (ROA) for the quarter and year-to-date were 1.25% and 1.14% respectively compared to 1.11% and 1.09% a year ago. Returns on average equity (ROE) were similarly improved at 16.22% for the quarter and 14.59% year-to-date compared to 13.87% and 13.97% respectively last year. The Company’s efficiency ratio for the quarter was 56.94% and 58.59% for the first nine months of the year compared to the 57.89% and 58.20% reported for the respective year-ago periods. Second Bancorp’s net interest margin for the quarter was unchanged from last year at 3.49% but reached 3.63% year-to-date, 16 basis points stronger than last year.

Non-interest income for the reporting period (including \$832,000 in security gains) was \$7.16 million, 59% above the \$4.49 million reported last year. Leading that strong performance was \$2.42 million in gains on sale of loans reflecting secondary market activity generated by our mortgage lending business, \$1.03 million more than for that category last year. Non-interest income was similarly improved for the year’s first three quarters reaching \$16.18 million compared to \$13.68 for the same period last year.

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Non-interest expenses for the quarter (including \$124,000 in costs associated with the Company's September acquisition of Stouffer-Herzog Insurance Agency) were \$11.84 million, up from \$10.08 million a year ago. The year-over-year increase was led by salaries and benefits which grew \$1.18 million primarily reflecting additions to staff associated with acquisition activity and growth in our mortgage banking line of business.

Credit quality continued to soften during the quarter reflecting developments with respect to two related commercial loans and, to a lesser extent, general sluggishness in the local and national economies. Second Bancorp's quarter-end "non-accrual" and "90-days past due but accruing" loans were \$12.76 million and \$7.00 million respectively compared to \$4.27 and \$4.69 for the same period last year. Net loan charge-offs for the quarter were \$.94 million, slightly better than the \$1.17 million in charges taken during third quarter 2001. The Company's loan loss reserve at the end of the quarter was 1.51% of period-end loans, 6 basis points stronger than a year ago while non-performing loans as a percentage of total loans reached 1.73%. Second National Bank Senior Vice President and Chief Lending Officer John L. Falatok stated "The significant increase in non-accruing loans at the end of the quarter primarily reflects developments with the two related commercial loans. Ongoing analysis of those under-performing credits which have aggregate balances of \$7.3 million indicates that collateral securing them is partially impaired and may affect our ability to fully collect all of the outstanding loan balances. The third quarter allocation to the Company's loan loss reserve reflects our assessment of the current condition of those loans."

In an unrelated matter, Second National Bank's Board of Directors has approved formal plans to reorganize the Bank's branch delivery system. Senior Vice President Darrel E. Mast indicated "Based upon extensive analysis focused on the growth and profitability characteristics of our broader markets, the Bank has begun the process of justifying and reallocating its retail banking resources. The plan, which will be implemented through the end of 2003 and beyond, involves among other things the consolidation of certain offices and the establishment of new retail banking centers in high growth markets. Our goals are to assure the more efficient delivery of products and services to our retail customer base and to optimize the use of our financial and human resources as we grow the institution internally. Costs associated with execution of the plan currently estimated to be \$2 million will be recognized for earnings purposes during the fourth quarter. The plan does not anticipate reallocation or consolidation activity with respect to any of the Bank's retail banking centers located in its headquarter Trumbull County."

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

Second Bancorp is a \$1.8 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 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](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).

Second Bancorp Incorporated and Subsidiaries

Financial Highlights

Quarterly Data

(Dollars in thousands, except per share data)

|  | Sept. 2002      | June 2002       | March 2002      | Dec. 2001       | Sept. 2001      |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Earnings:</b>   |                 |                 |                 |                 |                 |
| Net interest income  | \$ 13,954       | \$ 14,403       | \$ 14,157       | \$ 13,503       | \$ 12,473       |
| Provision for loan losses                                      | 1,573           | 1,303           | 933             | 1,627           | 988             |
| Non-interest income  | 6,329           | 4,053           | 5,157           | 5,845           | 4,420           |
| Security (losses) gains  | 832             | 0               | (173)           | 2               | 123             |
| Trading account (losses) gains                                 | 0               | 0               | (20)            | 0               | (52)            |
| Non-interest expense   | 11,841          | 11,283          | 11,797          | 12,001          | 10,082          |
| Federal income taxes   | 2,165           | 1,517           | 1,708           | 1,388           | 1,493           |
| <b>Income before accounting change</b>                         | <b>5,536</b>    | <b>4,353</b>    | <b>4,683</b>    | <b>4,334</b>    | <b>4,401</b>    |
| Cumulative effect of accounting change, net of tax             | 0               | 0               | 0               | 0               | 0               |
| <b>Net income</b>  | <b>\$ 5,536</b> | <b>\$ 4,353</b> | <b>\$ 4,683</b> | <b>\$ 4,334</b> | <b>\$ 4,401</b> |
| <b>Per share:</b>  |                 |                 |                 |                 |                 |
| Basic earnings before accounting change                        | n/a             | n/a             | n/a             | n/a             | n/a             |
| Basic earnings   | 0.56            | 0.44            | 0.47            | 0.43            | 0.43            |
| Diluted earnings before accounting change                      | n/a             | n/a             | n/a             | n/a             | n/a             |
| Diluted earnings   | 0.55            | 0.43            | 0.47            | 0.43            | 0.43            |
| Common dividends   | 0.18            | 0.18            | 0.18            | 0.17            | 0.17            |
| Book value   | 14.14           | 13.71           | 12.96           | 12.90           | 13.04           |
| Tangible book value  | 11.99           | 11.85           | 11.11           | 11.10           | 12.90           |
| Market value   | 26.73           | 27.30           | 24.25           | 21.61           | 20.50           |
| <b>Weighted average shares outstanding:</b>                    |                 |                 |                 |                 |                 |
| Basic  | 9,876,844       | 9,958,928       | 9,944,671       | 9,988,137       | 10,033,365      |
| Diluted  | 9,993,241       | 10,087,003      | 10,054,758      | 10,075,690      | 10,117,705      |
| <b>Period end balance sheet:</b>                               |                 |                 |                 |                 |                 |
| Assets   | \$1,825,235     | \$ 1,719,744    | \$ 1,684,848    | \$ 1,680,356    | \$ 1,609,019    |
| Securities   | 535,174         | 448,736         | 411,897         | 417,496         | 407,004         |
| Total loans  | 1,153,581       | 1,092,398       | 1,114,314       | 1,121,892       | 1,060,778       |
| Reserve for loan losses  | 17,443          | 16,810          | 16,884          | 16,695          | 15,429          |
| Deposits   | 1,181,281       | 1,146,451       | 1,131,199       | 1,123,131       | 1,057,291       |
| Total shareholders' equity                                     | 139,682         | 136,293         | 128,853         | 128,299         | 130,766         |
| Tier I capital   | 139,983         | 141,011         | 139,474         | 137,395         | 149,171         |
| Tier I ratio   | 10.7%           | 11.9%           | 11.3%           | 11.3%           | 13.1%           |
| Total capital  | 156,401         | 155,799         | 154,854         | 152,550         | 163,385         |
| Total capital ratio  | 11.9%           | 13.2%           | 12.6%           | 12.6%           | 14.4%           |
| Total risk-adjusted assets                                     | 1,312,414       | 1,181,029       | 1,228,918       | 1,210,858       | 1,135,902       |
| Tier I leverage ratio  | 8.4%            | 8.4%            | 8.3%            | 8.2%            | 9.4%            |
| <b>Average balance sheet:</b>                                  |                 |                 |                 |                 |                 |
| Assets   | \$1,770,928     | \$ 1,727,642    | \$ 1,691,123    | \$ 1,685,148    | \$ 1,582,934    |
| Earning assets   | 1,657,438       | 1,618,286       | 1,581,704       | 1,574,906       | 1,494,932       |
| Loans  | 1,108,133       | 1,097,302       | 1,109,990       | 1,100,573       | 1,064,655       |
| Deposits   | 1,173,188       | 1,153,065       | 1,129,829       | 1,109,855       | 1,061,537       |
| Shareholders' equity   | 136,494         | 132,734         | 130,152         | 131,262         | 126,950         |
| <b>Key ratios: (%) (1)</b>                                     |                 |                 |                 |                 |                 |
| Return on average assets (ROA)                                 | 1.25            | 1.01            | 1.11            | 1.08            | 1.11            |
| Return on average shareholders' equity (ROE)                   | 16.22           | 13.12           | 14.39           | 13.81           | 13.87           |
| Net interest margin  | 3.49            | 3.69            | 3.72            | 3.57            | 3.49            |
| Net overhead   | 1.33            | 1.79            | 1.68            | 1.49            | 1.53            |
| Efficiency ratio   | 56.94           | 59.49           | 59.46           | 58.74           | 57.89           |
| <b>Credit quality:</b>   |                 |                 |                 |                 |                 |
| Non-accrual loans  | \$ 12,756       | \$ 6,287        | \$ 5,313        | \$ 5,004        | \$ 4,273        |
| Restructured loans   | 259             | 197             | 0               | 258             | 358             |
| 90 day past due and accruing                                   | 6,995           | 6,011           | 6,257           | 5,304           | 4,693           |
| Non-performing loans   | 20,010          | 12,495          | 11,570          | 10,566          | 9,324           |
| Other real estate owned  | 1,593           | 1,644           | 1,423           | 1,399           | 1,322           |
| Non-performing assets  | \$ 21,603       | \$ 14,139       | \$ 12,993       | \$ 11,965       | \$ 10,646       |
| Charge-offs  | \$ 1,116        | \$ 1,625        | \$ 1,285        | \$ 2,458        | \$ 1,343        |
| Recoveries   | 176             | 248             | 541             | 219             | 175             |
| Net charge-offs  | \$ 940          | \$ 1,377        | \$ 744          | \$ 2,239        | \$ 1,168        |
| Reserve for loan losses as a percent of period-end loans (%)   | 1.51            | 1.54            | 1.52            | 1.49            | 1.45            |
| Net charge-offs (annualized) as a percent of average loans (%) | 0.34            | 0.50            | 0.27            | 0.81            | 0.44            |
| Non-performing loans as a percent of loans                     | 1.73            | 1.14            | 1.04            | 0.94            | 0.88            |
| Non-performing assets as a percent of assets                   | 1.18            | 0.82            | 0.77            | 0.71            | 0.66            |

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(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)

|  | Sept. 2002       | June 2002       | March 2002      | Dec. 2001        | Sept. 2001       |
|--|------------------|-----------------|-----------------|------------------|------------------|
| <b>Earnings:</b>   |                  |                 |                 |                  |                  |
| Net interest income  | \$ 42,514        | \$ 28,560       | \$ 14,157       | \$ 50,190        | \$ 36,687        |
| Provision for loan losses                                      | 3,809            | 2,236           | 933             | 4,718            | 3,091            |
| Non-interest income  | 15,539           | 9,210           | 5,157           | 18,867           | 13,022           |
| Security gains (losses)  | 659              | (173)           | (173)           | 642              | 640              |
| Trading account gains (losses)                                 | (20)             | (20)            | (20)            | 19               | 19               |
| Non-interest expense   | 34,921           | 23,080          | 11,797          | 41,939           | 29,938           |
| Federal income taxes   | 5,390            | 3,225           | 1,708           | 5,880            | 4,492            |
|  |                  |                 |                 |                  |                  |
| <b>Income before accounting change</b>                         | <b>14,572</b>    | <b>9,036</b>    | <b>4,683</b>    | <b>17,181</b>    | <b>12,847</b>    |
| Cumulative effect of accounting change, net of tax             | 0                | 0               | 0               | (101)            | (101)            |
|  |                  |                 |                 |                  |                  |
| <b>Net income</b>  | <b>\$ 14,572</b> | <b>\$ 9,036</b> | <b>\$ 4,683</b> | <b>\$ 17,080</b> | <b>\$ 12,746</b> |
|  |                  |                 |                 |                  |                  |
| <b>Per share:</b>  |                  |                 |                 |                  |                  |
| Basic earnings before accounting change                        | n/a              | n/a             | n/a             | \$ 1.72          | \$ 1.28          |
| Basic earnings   | 1.47             | 0.91            | 0.47            | 1.70             | 1.27             |
| Diluted earnings before accounting change                      | n/a              | n/a             | n/a             | 1.71             | 1.27             |
| Diluted earnings   | 1.45             | 0.90            | 0.47            | 1.69             | 1.26             |
| Common dividends   | 0.54             | 0.36            | 0.18            | 0.68             | 0.51             |
| Book value   | 14.14            | 13.71           | 12.96           | 12.90            | 13.04            |
| Tangible book value  | 11.99            | 11.85           | 11.11           | 11.10            | 12.90            |
| Market value   | 26.73            | 27.30           | 24.25           | 21.61            | 20.50            |
| <b>Weighted average shares outstanding:</b>                    |                  |                 |                 |                  |                  |
| Basic  | 9,929,276        | 9,948,346       | 9,944,671       | 10,013,068       | 10,021,471       |
| Diluted  | 10,051,077       | 10,071,366      | 10,054,758      | 10,080,005       | 10,087,935       |
| <b>Period end balance sheet:</b>                               |                  |                 |                 |                  |                  |
| Assets   | \$ 1,825,235     | \$ 1,719,744    | \$ 1,684,848    | \$ 1,680,356     | \$ 1,609,019     |
| Securities   | 535,174          | 448,736         | 411,897         | 417,496          | 407,004          |
| Total loans  | 1,153,581        | 1,092,398       | 1,114,314       | 1,121,892        | 1,060,778        |
| Reserve for loan losses  | 17,443           | 16,810          | 16,884          | 16,695           | 15,429           |
| Deposits   | 1,181,281        | 1,146,451       | 1,131,199       | 1,123,131        | 1,057,291        |
| Total shareholders' equity                                     | 139,682          | 136,293         | 128,853         | 128,299          | 130,766          |
| Tier I capital   | 139,983          | 141,011         | 139,474         | 137,395          | 149,171          |
| Tier I ratio   | 10.7%            | 11.9%           | 11.3%           | 11.3%            | 13.1%            |
| Total capital  | 156,401          | 155,799         | 154,854         | 152,550          | 163,385          |
| Total capital ratio  | 11.9%            | 13.2%           | 12.6%           | 12.6%            | 14.4%            |
| Total risk-adjusted assets                                     | 1,312,414        | 1,181,029       | 1,228,918       | 1,210,858        | 1,135,902        |
| Tier I leverage ratio  | 8.4%             | 8.4%            | 8.3%            | 8.2%             | 9.4%             |
| <b>Average balance sheet:</b>                                  |                  |                 |                 |                  |                  |
| Assets   | \$ 1,730,190     | \$ 1,709,483    | \$ 1,691,123    | \$ 1,595,968     | \$ 1,565,914     |
| Earning assets   | 1,619,420        | 1,600,096       | 1,581,704       | 1,502,164        | 1,477,650        |
| Loans  | 1,105,135        | 1,103,611       | 1,109,990       | 1,078,196        | 1,070,655        |
| Deposits   | 1,152,186        | 1,141,511       | 1,129,829       | 1,070,439        | 1,057,156        |
| Shareholders' equity   | 133,150          | 131,450         | 130,152         | 124,773          | 122,586          |
| <b>Key ratios: (%) (1)</b>                                     |                  |                 |                 |                  |                  |
| Return on average assets (ROA)                                 | 1.14             | 1.06            | 1.11            | 1.09             | 1.09             |
| Return on average shareholders' equity (ROE)                   | 14.59            | 13.75           | 14.39           | 13.93            | 13.97            |
| Net interest margin  | 3.63             | 3.70            | 3.72            | 3.49             | 3.47             |
| Net overhead   | 1.60             | 1.74            | 1.68            | 1.51             | 1.52             |
| Efficiency ratio   | 58.59            | 59.47           | 59.46           | 58.35            | 58.20            |
| <b>Credit quality:</b>   |                  |                 |                 |                  |                  |
| Non-accrual loans  | \$ 12,756        | \$ 6,287        | \$ 5,313        | \$ 5,004         | \$ 4,273         |
| Restructured loans   | 259              | 197             | 0               | 258              | 358              |
| 90 day past due and accruing                                   | 6,995            | 6,011           | 6,257           | 5,304            | 4,693            |
|  |                  |                 |                 |                  |                  |
| Non-performing loans   | 20,010           | 12,495          | 11,570          | 10,566           | 9,324            |
| Other real estate owned  | 1,593            | 1,644           | 1,423           | 1,399            | 1,322            |
|  |                  |                 |                 |                  |                  |
| Non-performing assets  | \$ 21,603        | \$ 14,139       | \$ 12,993       | \$ 11,965        | \$ 10,646        |
|  |                  |                 |                 |                  |                  |
| Charge-offs  | \$ 4,026         | \$ 2,910        | \$ 1,285        | \$ 6,471         | \$ 4,013         |
| Recoveries   | 965              | 789             | 541             | 1,353            | 1,134            |
|  |                  |                 |                 |                  |                  |
| Net charge-offs  | \$ 3,061         | \$ 2,121        | \$ 744          | \$ 5,118         | \$ 2,879         |
|  |                  |                 |                 |                  |                  |
| Reserve for loan losses as a percent of period-end loans (%)   | 1.51             | 1.54            | 1.52            | 1.49             | 1.45             |
| Net charge-offs (annualized) as a percent of average loans (%) | 0.37             | 0.38            | 0.27            | 0.47             | 0.36             |
| Non-performing loans as a percent of loans                     | 1.73             | 1.14            | 1.04            | 0.94             | 0.88             |

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Non-performing assets as a percent of assets | 1.18 | 0.82 | 0.77 | 0.71 | 0.66 |
|--|------|------|------|------|------|

(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)

|   | Sept. 2002 | June 2002  | March 2002 | Dec. 2001  | Sept. 2001 |
|---|------------|------------|------------|------------|------------|
| <b>INTEREST INCOME</b>  |            |            |            |            |            |
| Loans (including fees):   |            |            |            |            |            |
| Taxable   | \$ 19,598  | \$ 19,965  | \$ 20,471  | \$ 20,764  | \$ 21,015  |
| Exempt from federal income taxes  | 227        | 233        | 243        | 257        | 268        |
| Securities:   |            |            |            |            |            |
| Taxable   | 5,963      | 5,797      | 5,322      | 5,716      | 5,471      |
| Exempt from federal income taxes  | 722        | 715        | 774        | 789        | 800        |
| Federal funds sold and other temp. investments                                      | 324        | 394        | 213        | 268        | 326        |
|   |            |            |            |            |            |
| Total interest income   | 26,834     | 27,104     | 27,023     | 27,794     | 27,880     |
|   |            |            |            |            |            |
| <b>INTEREST EXPENSE</b>   |            |            |            |            |            |
| Deposits  | 7,526      | 7,429      | 7,674      | 8,882      | 10,467     |
| Federal funds purchased and securities sold under agreements to repurchase          | 597        | 636        | 566        | 727        | 937        |
| Note Payable  | 10         | 0          | 0          | 0          | 13         |
| Other borrowed funds  | 10         | 2          | 16         | 15         | 23         |
| Federal Home Loan Bank advances   | 4,003      | 3,901      | 3,877      | 3,939      | 3,946      |
| Corporation-obligated manditorily redeemable capital securities of subsidiary trust | 734        | 733        | 733        | 728        | 21         |
|   |            |            |            |            |            |
| Total interest expense  | 12,880     | 12,701     | 12,866     | 14,291     | 15,407     |
|   |            |            |            |            |            |
| Net interest income   | 13,954     | 14,403     | 14,157     | 13,503     | 12,473     |
| Provision for loan losses   | 1,573      | 1,303      | 933        | 1,627      | 988        |
|   |            |            |            |            |            |
| Net interest income after provision for loan losses                                 | 12,381     | 13,100     | 13,224     | 11,876     | 11,485     |
|   |            |            |            |            |            |
| <b>NON-INTEREST INCOME</b>  |            |            |            |            |            |
| Service charges on deposit accounts   | 1,505      | 1,411      | 1,320      | 1,424      | 1,344      |
| Trust fees  | 596        | 696        | 786        | 604        | 761        |
| Gain on sale of loans   | 2,421      | 1,709      | 1,544      | 2,531      | 1,394      |
| Trading account (losses) gains  | 0          | 0          | (20)       | 0          | (52)       |
| Security (losses) gains   | 832        | 0          | (173)      | 2          | 123        |
| Other operating income  | 1,807      | 237        | 1,507      | 1,286      | 921        |
|   |            |            |            |            |            |
| Total non-interest income   | 7,161      | 4,053      | 4,964      | 5,847      | 4,491      |
|   |            |            |            |            |            |
| <b>NON-INTEREST EXPENSE</b>   |            |            |            |            |            |
| Salaries and employee benefits  | 6,494      | 6,325      | 6,309      | 5,941      | 5,313      |
| Net occupancy   | 1,119      | 1,125      | 1,137      | 1,084      | 1,001      |
| Equipment   | 931        | 1,023      | 1,202      | 883        | 1,038      |
| Professional services   | 563        | 443        | 485        | 716        | 320        |
| Assessment on deposits and other taxes  | 384        | 330        | 329        | 321        | 415        |
| Amortization of goodwill and other intangibles                                      | 110        | 111        | 110        | 135        | 81         |
| Merger costs  | 124        | 0          | 0          | 305        | 0          |
| Other operating expenses  | 2,116      | 1,926      | 2,225      | 2,616      | 1,914      |
|   |            |            |            |            |            |
| Total non-interest expense  | 11,841     | 11,283     | 11,797     | 12,001     | 10,082     |
|   |            |            |            |            |            |
| Income before federal income taxes  | 7,701      | 5,870      | 6,391      | 5,722      | 5,894      |
| Income tax expense  | 2,165      | 1,517      | 1,708      | 1,388      | 1,493      |
|   |            |            |            |            |            |
| Income before accounting change   | 5,536      | 4,353      | 4,683      | 4,334      | 4,401      |
| Cumulative effect of accounting change, net of tax                                  | 0          | 0          | 0          | —          | —          |
|   |            |            |            |            |            |
| Net income  | \$ 5,536   | \$ 4,353   | \$ 4,683   | \$ 4,334   | \$ 4,401   |
|   |            |            |            |            |            |
| <b>NET INCOME PER COMMON SHARE:</b>   |            |            |            |            |            |
| Basic before accounting change  | n/a        | n/a        | n/a        | n/a        | n/a        |
| Basic   | \$ 0.56    | \$ 0.44    | \$ 0.47    | \$ 0.43    | \$ 0.44    |
| Diluted before accounting change  | n/a        | n/a        | n/a        | n/a        | n/a        |
| Diluted   | \$ 0.55    | \$ 0.43    | \$ 0.47    | \$ 0.43    | \$ 0.43    |
| Weighted average common shares outstanding:   |            |            |            |            |            |
| Basic   | 9,876,844  | 9,958,928  | 9,944,671  | 9,988,137  | 10,033,365 |
| Diluted   | 9,993,241  | 10,087,003 | 10,054,758 | 10,075,690 | 10,117,705 |
| Note: Fully taxable equivalent adjustment   | \$ 511     | \$ 510     | \$ 548     | \$ 563     | \$ 575     |



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

|   | Sept. 2002 | June 2002  | March 2002 | Dec. 2001  | Sept. 2001 |
|---|------------|------------|------------|------------|------------|
| <b>INTEREST INCOME</b>  |            |            |            |            |            |
| Loans (including fees):   |            |            |            |            |            |
| Taxable   | \$ 60,034  | \$ 40,436  | \$ 20,471  | \$ 85,631  | \$ 64,867  |
| Exempt from federal income taxes  | 703        | 476        | 243        | 1,092      | 835        |
| Securities:   |            |            |            |            |            |
| Taxable   | 17,082     | 11,119     | 5,322      | 21,614     | 15,898     |
| Exempt from federal income taxes  | 2,211      | 1,489      | 774        | 3,137      | 2,348      |
| Federal funds sold and other temp. investments                                      | 931        | 607        | 213        | 1,083      | 815        |
|   |            |            |            |            |            |
| Total interest income   | 80,961     | 54,127     | 27,023     | 112,557    | 84,763     |
| <b>INTEREST EXPENSE</b>   |            |            |            |            |            |
| Deposits  | 22,629     | 15,103     | 7,674      | 42,010     | 33,128     |
| Federal funds purchased and securities sold under agreements to repurchase          | 1,799      | 1,202      | 566        | 3,904      | 3,177      |
| Note Payable  | 10         | 0          | 0          | 47         | 47         |
| Other borrowed funds  | 28         | 18         | 16         | 90         | 75         |
| Federal Home Loan Bank advances   | 11,781     | 7,778      | 3,877      | 15,567     | 11,628     |
| Corporation-obligated manditorily redeemable capital securities of subsidiary trust | 2,200      | 1,466      | 733        | 749        | 21         |
|   |            |            |            |            |            |
| Total interest expense  | 38,447     | 25,567     | 12,866     | 62,367     | 48,076     |
|   |            |            |            |            |            |
| Net interest income   | 42,514     | 28,560     | 14,157     | 50,190     | 36,687     |
| Provision for loan losses   | 3,809      | 2,236      | 933        | 4,718      | 3,091      |
|   |            |            |            |            |            |
| Net interest income after provision for loan losses                                 | 38,705     | 26,324     | 13,224     | 45,472     | 33,596     |
| <b>NON-INTEREST INCOME</b>  |            |            |            |            |            |
| Service charges on deposit accounts   | 4,236      | 2,731      | 1,320      | 5,302      | 3,878      |
| Trust fees  | 2,078      | 1,482      | 786        | 2,870      | 2,266      |
| Gain on sale of loans   | 5,674      | 3,253      | 1,544      | 5,814      | 3,283      |
| Trading account (losses) gains  | (20)       | (20)       | (20)       | 19         | 19         |
| Security (losses) gains   | 659        | (173)      | (173)      | 642        | 640        |
| Other operating income  | 3,551      | 1,744      | 1,507      | 4,881      | 3,595      |
|   |            |            |            |            |            |
| Total non-interest income   | 16,178     | 9,017      | 4,964      | 19,528     | 13,681     |
| <b>NON-INTEREST EXPENSE</b>   |            |            |            |            |            |
| Salaries and employee benefits  | 19,128     | 12,634     | 6,309      | 21,544     | 15,603     |
| Net occupancy   | 3,381      | 2,262      | 1,137      | 4,263      | 3,179      |
| Equipment   | 3,156      | 2,225      | 1,202      | 3,891      | 3,008      |
| Professional services   | 1,491      | 928        | 485        | 1,776      | 1,060      |
| Assessment on deposits and other taxes  | 1,043      | 659        | 329        | 1,542      | 1,221      |
| Amortization of goodwill and other intangibles                                      | 331        | 221        | 110        | 377        | 242        |
| Merger costs  | 124        | 0          | 0          | 305        | 0          |
| Other operating expenses  | 6,267      | 4,151      | 2,225      | 8,241      | 5,625      |
|   |            |            |            |            |            |
| Total non-interest expense  | 34,921     | 23,080     | 11,797     | 41,939     | 29,938     |
|   |            |            |            |            |            |
| Income before federal income taxes  | 19,962     | 12,261     | 6,391      | 23,061     | 17,339     |
| Income tax expense  | 5,390      | 3,225      | 1,708      | 5,880      | 4,492      |
|   |            |            |            |            |            |
| Income before accounting change   | 14,572     | 9,036      | 4,683      | 17,181     | 12,847     |
| Cumulative effect of accounting change, net of tax                                  | 0          | 0          | 0          | (101)      | (101)      |
|   |            |            |            |            |            |
| Net income  | \$ 14,572  | \$ 9,036   | \$ 4,683   | \$ 17,080  | \$ 12,746  |
| <b>NET INCOME PER COMMON SHARE:</b>   |            |            |            |            |            |
| Basic before accounting change  | n/a        | n/a        | n/a        | \$ 1.72    | \$ 1.28    |
| Basic   | \$ 1.47    | \$ 0.91    | \$ 0.47    | \$ 1.70    | \$ 1.27    |
| Diluted before accounting change  | n/a        | n/a        | n/a        | \$ 1.71    | \$ 1.27    |
| Diluted   | \$ 1.45    | \$ 0.90    | \$ 0.47    | \$ 1.69    | \$ 1.26    |
| Weighted average common shares outstanding:   |            |            |            |            |            |
| Basic   | 9,929,276  | 9,948,346  | 9,944,671  | 10,013,068 | 10,021,471 |
| Diluted   | 10,051,077 | 10,071,366 | 10,054,758 | 10,080,005 | 10,087,935 |
| Note: Fully taxable equivalent adjustment   | \$ 1,569   | \$ 1,058   | \$ 548     | \$ 2,277   | \$ 1,714   |

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

|   | September 30 | June 30      | March 31     | December 31  | September 30 |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 2002         | 2002         | 2002         | 2001         | 2001         |
| <b>ASSETS</b>   |              |              |              |              |              |
| Cash and due from banks   | \$ 40,815    | \$ 36,230    | \$ 36,397    | \$ 40,837    | \$ 32,441    |
| Federal funds sold and other temp. investments                                      | 15,033       | 64,194       | 42,631       | 24,016       | 51,233       |
| Securities:   |              |              |              |              |              |
| Trading   | 0            | 0            | 0            | 0            | 0            |
| Available-for-sale  | 535,174      | 448,736      | 411,897      | 417,496      | 407,004      |
| Total securities  | 535,174      | 448,736      | 411,897      | 417,496      | 407,004      |
| Loans:  |              |              |              |              |              |
| Commercial  | 520,175      | 485,652      | 500,604      | 508,579      | 425,149      |
| Consumer  | 325,088      | 333,178      | 317,858      | 316,097      | 318,614      |
| Real estate   | 308,318      | 273,568      | 295,852      | 297,216      | 317,015      |
| Total loans   | 1,153,581    | 1,092,398    | 1,114,314    | 1,121,892    | 1,060,778    |
| Less reserve for loan losses  | 17,443       | 16,810       | 16,884       | 16,695       | 15,429       |
| Net loans   | 1,136,138    | 1,075,588    | 1,097,430    | 1,105,197    | 1,045,349    |
| Premises and equipment  | 16,333       | 16,592       | 16,737       | 16,416       | 16,650       |
| Accrued interest receivable   | 9,582        | 8,724        | 9,596        | 10,272       | 10,272       |
| Goodwill and intangible assets  | 31,185       | 28,415       | 28,187       | 26,578       | 8,328        |
| Other assets  | 40,975       | 41,265       | 41,973       | 39,544       | 37,742       |
| Total assets  | \$ 1,825,235 | \$ 1,719,744 | \$ 1,684,848 | \$ 1,680,356 | \$ 1,609,019 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |              |              |              |              |              |
| Deposits:   |              |              |              |              |              |
| Demand — non-interest bearing   | \$ 153,341   | \$ 145,006   | \$ 138,107   | \$ 144,953   | \$ 111,539   |
| Demand — interest bearing   | 98,359       | 98,893       | 99,284       | 105,221      | 94,831       |
| Savings   | 410,322      | 394,907      | 335,460      | 276,628      | 234,601      |
| Time deposits   | 519,259      | 507,645      | 558,348      | 596,329      | 616,320      |
| Total deposits  | 1,181,281    | 1,146,451    | 1,131,199    | 1,123,131    | 1,057,291    |
| Federal funds purchased and securities sold under agreements to repurchase          | 166,532      | 119,867      | 108,951      | 107,279      | 110,071      |
| Note payable  | 3,000        | 0            | 0            | 0            | 0            |
| Other borrowed funds  | 3,788        | 4,249        | 724          | 5,853        | 5,745        |
| Accrued expenses and other liabilities  | 14,583       | 10,486       | 12,661       | 10,200       | 11,185       |
| Federal Home Loan Bank advances   | 285,887      | 271,930      | 272,005      | 275,152      | 267,301      |
| Corporation-obligated manditorily redeemable capital securities of subsidiary trust | 30,482       | 30,468       | 30,455       | 30,442       | 26,660       |
| Total liabilities   | 1,685,553    | 1,583,451    | 1,555,995    | 1,552,057    | 1,478,253    |
| Shareholders' equity:   |              |              |              |              |              |
| Common stock, no par value; 30,000,000 shares authorized;                           | 40,994       | 38,822       | 37,722       | 37,453       | 37,424       |
| Treasury stock  | (23,631)     | (19,462)     | (17,397)     | (16,798)     | (15,072)     |
| Other comprehensive income  | 8,894        | 7,265        | 1,424        | 3,434        | 6,850        |
| Retained earnings   | 113,425      | 109,668      | 107,104      | 104,210      | 101,564      |
| Total shareholders' equity  | 139,682      | 136,293      | 128,853      | 128,299      | 130,766      |
| Total liabilities and shareholders' equity  | \$ 1,825,235 | \$ 1,719,744 | \$ 1,684,848 | \$ 1,680,356 | \$ 1,609,019 |
| Miscellaneous data:   |              |              |              |              |              |
| Common shares issued  | 11,024,693   | 10,932,360   | 10,856,360   | 10,832,810   | 10,828,310   |
| Treasury shares   | 1,147,849    | 991,589      | 911,689      | 883,494      | 801,512      |
| Bank owned life insurance (in other assets)   | \$ 32,677    | \$ 32,268    | \$ 31,858    | \$ 31,449    | \$ 31,041    |
| Loans serviced for others   | \$ 1,121,372 | \$ 1,047,988 | \$ 936,559   | \$ 812,774   | \$ 652,337   |
| Mortgage servicing rights (net of allowance)  | \$ 10,516    | \$ 10,323    | \$ 10,006    | \$ 8,313     | \$ 6,560     |
| Goodwill  | 17,344       | 14,645       | 14,645       | 14,645       | 1,014        |
| Other intangibles   | 3,325        | 3,447        | 3,536        | 3,620        | 754          |
| Total goodwill and intangibles assets   | \$ 31,185    | \$ 28,415    | \$ 28,187    | \$ 26,578    | \$ 8,328     |
| Valuation allowance for mortgage servicing rights included above                    | \$ (3,087)   | \$ (2,285)   | \$ (910)     | \$ (810)     | \$ (505)     |

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

| <b>ASSETS</b>   | <b>Sept. 2002</b>  | <b>June 2002</b>   | <b>March 2002</b>  | <b>Dec. 2001</b>   | <b>Sept. 2001</b>  |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cash and demand balances due from banks   | \$ 35,353          | \$ 32,510          | \$ 35,183          | \$ 44,615          | \$ 32,340          |
| Federal funds sold and other temp. investments                                      | 80,102             | 94,687             | 51,953             | 47,585             | 37,091             |
| Securities:   |                    |                    |                    |                    |                    |
| Trading   | 0                  | 0                  | 123                | 99                 | 52                 |
| Available-for-sale  | 469,203            | 426,297            | 419,638            | 426,649            | 393,134            |
| Total securities  | 469,203            | 426,297            | 419,761            | 426,748            | 393,186            |
| Loans:  |                    |                    |                    |                    |                    |
| Commercial  | 532,858            | 495,622            | 505,782            | 492,110            | 427,029            |
| Consumer  | 294,036            | 323,626            | 313,542            | 316,100            | 319,838            |
| Real estate   | 281,239            | 278,054            | 290,666            | 292,363            | 317,788            |
| Total loans   | 1,108,133          | 1,097,302          | 1,109,990          | 1,100,573          | 1,064,655          |
| Reserve for loan losses   | 16,904             | 16,830             | 16,884             | 16,747             | 15,464             |
| Net loans   | 1,091,229          | 1,080,472          | 1,093,106          | 1,083,826          | 1,049,191          |
| Premises and equipment  | 16,589             | 16,849             | 16,449             | 16,716             | 17,061             |
| Goodwill and intangible assets  | 32,340             | 28,654             | 27,169             | 20,309             | 7,985              |
| Other   | 46,112             | 48,173             | 47,502             | 45,349             | 46,080             |
| Total assets  | <u>\$1,770,928</u> | <u>\$1,727,642</u> | <u>\$1,691,123</u> | <u>\$1,685,148</u> | <u>\$1,582,934</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                    |                    |                    |                    |                    |
| Liabilities:  |                    |                    |                    |                    |                    |
| Demand deposits (non-interest bearing)  | \$ 145,177         | \$ 145,418         | \$ 139,013         | \$ 134,160         | \$ 111,635         |
| Demand deposits (interest bearing)  | 105,903            | 98,924             | 99,765             | 99,783             | 90,783             |
| Savings   | 405,813            | 370,748            | 308,104            | 259,322            | 232,661            |
| Time deposits   | 516,295            | 537,975            | 582,947            | 616,590            | 626,458            |
| Total deposits  | 1,173,188          | 1,153,065          | 1,129,829          | 1,109,855          | 1,061,537          |
| Federal funds purchased and securities sold under agreements to repurchase          | 135,611            | 128,361            | 114,128            | 130,769            | 112,029            |
| Note payable  | 1,190              | 0                  | 0                  | 0                  | 967                |
| Borrowed funds  | 1,927              | 773                | 3,112              | 2,928              | 2,240              |
| Accrued expenses and other liabilities  | 13,479             | 10,269             | 10,157             | 10,794             | 10,601             |
| Federal Home Loan Bank advances   | 278,568            | 271,968            | 273,299            | 269,600            | 267,744            |
| Corporation-obligated manditorily redeemable capital securities of subsidiary trust | 30,471             | 30,472             | 30,446             | 29,940             | 866                |
| Total liabilities   | 1,634,434          | 1,594,908          | 1,560,971          | 1,553,886          | 1,455,984          |
| Shareholders' equity:   |                    |                    |                    |                    |                    |
| Common stock  | 39,522             | 38,421             | 37,568             | 37,438             | 37,331             |
| Treasury shares   | (21,641)           | (18,291)           | (17,281)           | (15,924)           | (14,814)           |
| Other comprehensive income  | 7,951              | 4,503              | 4,449              | 7,312              | 4,548              |
| Retained earnings   | 110,662            | 108,101            | 105,416            | 102,436            | 99,885             |
| Total shareholders' equity  | <u>136,494</u>     | <u>132,734</u>     | <u>130,152</u>     | <u>131,262</u>     | <u>126,950</u>     |
| Total liabilities and shareholders' equity  | <u>\$1,770,928</u> | <u>\$1,727,642</u> | <u>\$1,691,123</u> | <u>\$1,685,148</u> | <u>\$1,582,934</u> |

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

| <b>ASSETS</b>   | <b>Sept. 2002</b>  | <b>June 2002</b>   | <b>March 2002</b>  | <b>Dec. 2001</b>   | <b>Sept. 2001</b>  |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cash and demand balances due from banks   | \$ 34,349          | \$ 33,839          | \$ 35,183          | \$ 35,490          | \$ 32,415          |
| Federal funds sold  | 75,683             | 73,438             | 51,953             | 31,125             | 25,578             |
| Securities:   |                    |                    |                    |                    |                    |
| Trading   | 41                 | 61                 | 123                | 114                | 119                |
| Available-for-sale  | 438,561            | 422,986            | 419,638            | 392,729            | 381,298            |
| Total securities  | 438,602            | 423,047            | 419,761            | 392,843            | 381,417            |
| Loans:  |                    |                    |                    |                    |                    |
| Commercial  | 511,520            | 500,674            | 505,782            | 444,813            | 428,874            |
| Consumer  | 310,330            | 318,612            | 313,542            | 316,032            | 316,009            |
| Real estate   | 283,285            | 284,325            | 290,666            | 317,351            | 325,772            |
| Total loans   | 1,105,135          | 1,103,611          | 1,109,990          | 1,078,196          | 1,070,655          |
| Reserve for loan losses   | 16,873             | 16,857             | 16,884             | 15,889             | 15,600             |
| Net loans   | 1,088,262          | 1,086,754          | 1,093,106          | 1,062,307          | 1,055,055          |
| Premises and equipment  | 16,629             | 16,650             | 16,449             | 17,283             | 17,474             |
| Goodwill and intangible assets  | 29,309             | 27,769             | 27,169             | 10,241             | 6,848              |
| Other   | 47,356             | 47,986             | 47,502             | 46,679             | 47,127             |
| Total assets  | <u>\$1,730,190</u> | <u>\$1,709,483</u> | <u>\$1,691,123</u> | <u>\$1,595,968</u> | <u>\$1,565,914</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                    |                    |                    |                    |                    |
| Liabilities:  |                    |                    |                    |                    |                    |
| Demand deposits (non-interest bearing)  | \$ 143,225         | \$ 142,233         | \$ 139,013         | \$ 115,857         | \$ 109,689         |
| Demand deposits (interest bearing)  | 101,553            | 99,342             | 99,765             | 90,762             | 87,722             |
| Savings   | 361,913            | 339,599            | 308,104            | 242,242            | 236,486            |
| Time deposits   | 545,495            | 560,337            | 582,947            | 621,578            | 623,259            |
| Total deposits  | 1,152,186          | 1,141,511          | 1,129,829          | 1,070,439          | 1,057,156          |
| Federal funds purchased and securities sold under agreements to repurchase          | 126,112            | 121,284            | 114,128            | 116,131            | 111,198            |
| Note payable  | 401                | 0                  | 0                  | 740                | 989                |
| Borrowed funds  | 1,933              | 1,936              | 3,112              | 2,240              | 2,008              |
| Accrued expenses and other liabilities  | 11,314             | 10,213             | 10,157             | 10,161             | 9,948              |
| Federal Home Loan Bank advances   | 274,631            | 272,630            | 273,299            | 263,719            | 261,737            |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 30,463             | 30,459             | 30,446             | 7,765              | 292                |
| Total liabilities   | 1,597,040          | 1,578,033          | 1,560,971          | 1,471,195          | 1,443,328          |
| Shareholders' equity:   |                    |                    |                    |                    |                    |
| Common stock  | 38,511             | 37,997             | 37,568             | 37,192             | 37,109             |
| Treasury shares   | (19,087)           | (17,789)           | (17,281)           | (14,989)           | (14,674)           |
| Net unrealized holding gains  | 5,647              | 4,476              | 4,449              | 3,947              | 2,813              |
| Retained earnings   | 108,079            | 106,766            | 105,416            | 98,623             | 97,338             |
| Total shareholders' equity  | 133,150            | 131,450            | 130,152            | 124,773            | 122,586            |
| Total liabilities and shareholders' equity  | <u>\$1,730,190</u> | <u>\$1,709,483</u> | <u>\$1,691,123</u> | <u>\$1,595,968</u> | <u>\$1,565,914</u> |

**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: October 17, 2002

/s/ David L. Kellerman  
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David L. Kellerman, Treasurer