

SECOND BANCORP INC

Form 425

January 22, 2004

[SECOND BANCORP, INC. LOGO]

**Second Bancorp, Inc.**  
**108 Main Avenue, S.W.**  
**P.O. Box 1311**  
**Warren, Ohio 44482-1311**

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**FOR IMMEDIATE RELEASE**

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**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 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 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

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

CONTACT: Christopher Stanitz, Executive Vice President and Secretary, at 330.841.0234 (phone), 330.841.0489 (fax) or [cstanitz@seconationalbank.com](mailto:cstanitz@seconationalbank.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       | March 2003      | Dec. 2002       |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Earnings:</b>                            |                 |                 |                 |                 |                 |
| Net interest income                         | \$ 14,181       | \$ 13,817       | \$ 13,790       | \$ 14,083       | \$ 13,946       |
| Provision for loan losses                   | 1,486           | 1,096           | 2,855           | 2,173           | 2,350           |
| Non-interest income                         | 5,581           | 3,491           | 10,700          | 14,211          | 7,314           |
| Security gains (losses)                     | 967             | 3,566           | 0               | 51              | (67)            |
| Trading account losses                      | 0               | 0               | 0               | 0               | 0               |
| Non-interest expense                        | 13,998          | 13,076          | 14,016          | 13,673          | 14,575          |
| Federal income taxes                        | 1,096           | 1,795           | 2,181           | 3,838           | 840             |
| <b>Net income</b>                           | <b>\$ 4,149</b> | <b>\$ 4,907</b> | <b>\$ 5,438</b> | <b>\$ 8,661</b> | <b>\$ 3,428</b> |
| <b>Per share:</b>                           |                 |                 |                 |                 |                 |
| Basic earnings                              | 0.44            | 0.52            | 0.57            | 0.90            | 0.35            |
| Diluted earnings                            | 0.43            | 0.51            | 0.57            | 0.89            | 0.34            |
| Common dividends                            | 0.19            | 0.19            | 0.19            | 0.19            | 0.18            |
| Book value                                  | 14.47           | 14.34           | 14.81           | 14.36           | 13.91           |
| Tangible book value                         | 12.17           | 12.05           | 12.40           | 11.95           | 11.69           |
| Market value                                | 26.40           | 27.24           | 25.80           | 22.15           | 26.50           |
| <b>Weighted average shares outstanding:</b> |                 |                 |                 |                 |                 |
| Basic                                       | 9,471,371       | 9,474,925       | 9,484,646       | 9,620,401       | 9,835,995       |
| Diluted                                     | 9,616,188       | 9,610,350       | 9,575,001       | 9,714,253       | 9,967,373       |
| <b>Period end balance sheet:</b>            |                 |                 |                 |                 |                 |
| Assets                                      | \$2,116,530     | \$2,074,750     | \$1,926,233     | \$1,909,027     | \$1,894,775     |
| Securities                                  | 620,696         | 602,893         | 556,434         | 539,309         | 523,669         |
| Total loans                                 | 1,349,820       | 1,301,618       | 1,199,630       | 1,215,481       | 1,167,791       |
| Allowance for loan losses                   | 18,874          | 18,372          | 18,030          | 17,756          | 17,595          |
| Deposits                                    | 1,215,342       | 1,165,281       | 1,172,816       | 1,121,866       | 1,195,112       |
| Total shareholders equity                   | 137,016         | 135,799         | 140,215         | 136,369         | 136,334         |
| Tier I capital                              | 146,397         | 144,583         | 140,335         | 137,595         | 138,000         |
| Tier I ratio                                | 10.2%           | 10.4%           | 10.8%           | 10.5%           | 10.8%           |
| Total capital                               | 164,396         | 161,946         | 156,613         | 154,010         | 153,925         |
| Total capital ratio                         | 11.4%           | 11.7%           | 12.0%           | 11.7%           | 12.1%           |
| Total risk-adjusted assets                  | 1,439,030       | 1,388,065       | 1,300,512       | 1,311,849       | 1,272,335       |
| Tier I leverage ratio                       | 7.1%            | 7.3%            | 7.6%            | 7.5%            | 7.7%            |
| <b>Average balance sheet:</b>               |                 |                 |                 |                 |                 |
| Assets                                      | \$2,092,553     | \$2,004,789     | \$1,908,978     | \$1,869,524     | \$1,825,714     |
| Earning assets                              | 1,957,682       | 1,871,145       | 1,789,611       | 1,750,900       | 1,712,604       |
| Loans                                       | 1,317,153       | 1,245,980       | 1,197,300       | 1,177,617       | 1,171,162       |
| Deposits                                    | 1,196,389       | 1,157,817       | 1,159,719       | 1,135,681       | 1,180,609       |
| Shareholders equity                         | 133,653         | 134,844         | 139,269         | 135,254         | 137,229         |

**Key ratios: (%)**

|   |       |       |       |        |       |
|---|-------|-------|-------|--------|-------|
| Return on average assets (ROA)              | 0.79  | 0.98  | 1.14  | 1.85   | 0.75  |
| Return on average shareholders equity (ROE) | 12.42 | 14.56 | 15.62 | 25.61  | 9.99  |
| Net interest margin                         | 3.00  | 3.06  | 3.19  | 3.33   | 3.38  |
| Net overhead                                | 1.72  | 2.05  | 0.74  | (0.12) | 1.70  |
| Efficiency ratio                            | 69.12 | 73.49 | 56.10 | 47.48  | 66.94 |

**Credit quality:**

|                              |           |           |           |           |           |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Non-accrual loans            | \$ 13,348 | \$ 12,735 | \$ 12,238 | \$ 12,709 | \$ 13,123 |
| Restructured loans           | 1,017     | 461       | 340       | 374       | 378       |
| 90 day past due and accruing | 8,879     | 8,625     | 7,231     | 6,623     | 5,692     |

|                         |        |        |        |        |        |
|-------------------------|--------|--------|--------|--------|--------|
| Non-performing loans    | 23,244 | 21,821 | 19,809 | 19,706 | 19,193 |
| Other real estate owned | 713    | 753    | 621    | 1,270  | 1,371  |

|                       |           |           |           |           |           |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| Non-performing assets | \$ 23,957 | \$ 22,574 | \$ 20,430 | \$ 20,976 | \$ 20,564 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|

|             |          |        |          |          |          |
|-------------|----------|--------|----------|----------|----------|
| Charge-offs | \$ 1,111 | \$ 918 | \$ 2,721 | \$ 2,213 | \$ 2,558 |
| Recoveries  | 126      | 165    | 139      | 201      | 360      |

|                 |        |        |          |          |          |
|-----------------|--------|--------|----------|----------|----------|
| Net charge-offs | \$ 985 | \$ 753 | \$ 2,582 | \$ 2,012 | \$ 2,198 |
|-----------------|--------|--------|----------|----------|----------|

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Allowance for loan losses as a percent of period-end loans (%) | 1.40 | 1.41 | 1.50 | 1.46 | 1.51 |
|--|------|------|------|------|------|

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Net charge-offs (annualized) as a percent of average loans (%) | 0.30 | 0.24 | 0.86 | 0.68 | 0.75 |
|--|------|------|------|------|------|

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Non-performing loans as a percent of loans | 1.72 | 1.68 | 1.65 | 1.62 | 1.64 |
|--|------|------|------|------|------|

|  |      |      |      |      |      |
|--|------|------|------|------|------|
| Non-performing assets as a percent of assets | 1.13 | 1.09 | 1.06 | 1.10 | 1.09 |
|--|------|------|------|------|------|

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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        | March 2003      | Dec. 2002        |
|---|------------------|------------------|------------------|-----------------|------------------|
| <b>Earnings:</b>                            |                  |                  |                  |                 |                  |
| Net interest income                         | \$ 55,871        | \$ 41,690        | \$ 27,873        | \$ 14,083       | \$ 56,460        |
| Provision for loan losses                   | 7,610            | 6,124            | 5,028            | 2,173           | 6,159            |
| Non-interest income                         | 33,983           | 28,402           | 24,911           | 14,211          | 22,853           |
| Security gains (losses)                     | 4,584            | 3,617            | 51               | 51              | 592              |
| Trading account losses                      | 0                | 0                | 0                | 0               | (20)             |
| Non-interest expense                        | 54,763           | 40,765           | 27,689           | 13,673          | 49,496           |
| Federal income taxes                        | 8,910            | 7,814            | 6,019            | 3,838           | 6,230            |
| <b>Net income</b>                           | <b>\$ 23,155</b> | <b>\$ 19,006</b> | <b>\$ 14,099</b> | <b>\$ 8,661</b> | <b>\$ 18,000</b> |
| <b>Per share:</b>                           |                  |                  |                  |                 |                  |
| Basic earnings                              | 2.43             | 1.99             | 1.48             | 0.90            | 1.82             |
| Diluted earnings                            | 2.41             | 1.97             | 1.46             | 0.89            | 1.79             |
| Common dividends                            | 0.76             | 0.57             | 0.38             | 0.19            | 0.72             |
| Book value                                  | 14.47            | 14.34            | 14.81            | 14.36           | 13.97            |
| Tangible book value                         | 12.17            | 12.05            | 12.40            | 11.95           | 11.75            |
| Market value                                | 26.40            | 27.24            | 25.80            | 22.15           | 26.50            |
| <b>Weighted average shares outstanding:</b> |                  |                  |                  |                 |                  |
| Basic                                       | 9,512,324        | 9,526,125        | 9,552,149        | 9,620,401       | 9,905,832        |
| Diluted                                     | 9,623,388        | 9,631,663        | 9,644,621        | 9,714,253       | 10,040,001       |
| <b>Period end balance sheet:</b>            |                  |                  |                  |                 |                  |
| Assets                                      | \$2,116,530      | \$2,074,750      | \$1,926,233      | \$1,909,027     | \$ 1,894,775     |
| Securities                                  | 620,696          | 602,893          | 556,434          | 539,309         | 523,669          |
| Total loans                                 | 1,349,820        | 1,301,618        | 1,199,630        | 1,215,481       | 1,167,791        |
| Allowance for loan losses                   | 18,874           | 18,372           | 18,030           | 17,756          | 17,595           |
| Deposits                                    | 1,215,342        | 1,165,281        | 1,172,816        | 1,121,866       | 1,195,112        |
| Total shareholders equity                   | 137,016          | 135,799          | 140,215          | 136,369         | 136,334          |
| Tier I capital                              | 146,397          | 144,583          | 140,335          | 137,595         | 138,000          |
| Tier I ratio                                | 10.2%            | 10.4%            | 10.8%            | 10.5%           | 10.8%            |
| Total capital                               | 164,396          | 161,946          | 156,613          | 154,010         | 153,925          |
| Total capital ratio                         | 11.4%            | 11.7%            | 12.0%            | 11.7%           | 12.1%            |
| Total risk-adjusted assets                  | 1,439,030        | 1,388,065        | 1,300,512        | 1,311,849       | 1,272,335        |
| Tier I leverage ratio                       | 7.1%             | 7.3%             | 7.6%             | 7.5%            | 7.7%             |
| <b>Average balance sheet:</b>               |                  |                  |                  |                 |                  |
| Assets                                      | \$1,969,670      | \$1,928,259      | \$1,889,360      | \$1,869,524     | \$ 1,754,156     |
| Earning assets                              | 1,842,980        | 1,804,326        | 1,770,363        | 1,750,900       | 1,642,907        |
| Loans                                       | 1,234,926        | 1,207,216        | 1,187,513        | 1,177,617       | 1,121,777        |
| Deposits                                    | 1,162,555        | 1,151,153        | 1,147,766        | 1,135,681       | 1,159,350        |
| Shareholders equity                         | 135,748          | 136,454          | 137,273          | 135,254         | 134,178          |

**Key ratios: (%)**

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Return on average assets (ROA)                                 | 1.18      | 1.31      | 1.49      | 1.85      | 1.03      |
| Return on average shareholders equity (ROE)                    | 17.06     | 18.57     | 20.54     | 25.61     | 13.42     |
| Net interest margin  | 3.14      | 3.19      | 3.26      | 3.33      | 3.56      |
| Net overhead   | 1.13      | 0.91      | 0.31      | (0.12)    | 1.62      |
| Efficiency ratio   | 59.63     | 56.95     | 51.48     | 47.48     | 60.81     |
| <b>Credit quality:</b>   |           |           |           |           |           |
| Non-accrual loans  | \$ 13,348 | \$ 12,735 | \$ 12,238 | \$ 12,709 | \$ 13,123 |
| Restructured loans   | 1,017     | 461       | 340       | 374       | 378       |
| 90 day past due and accruing                                   | 8,879     | 8,625     | 7,231     | 6,623     | 5,692     |
| Non-performing loans   | 23,244    | 21,821    | 19,809    | 19,706    | 19,193    |
| Other real estate owned  | 713       | 753       | 621       | 1,270     | 1,371     |
| Non-performing assets  | \$ 23,957 | \$ 22,574 | \$ 20,430 | \$ 20,976 | \$ 20,564 |
| Charge-offs  | \$ 6,963  | \$ 5,852  | \$ 4,934  | \$ 2,213  | \$ 6,584  |
| Recoveries   | 631       | 505       | 340       | 201       | 1,325     |
| Net charge-offs  | \$ 6,332  | \$ 5,347  | \$ 4,594  | \$ 2,012  | \$ 5,259  |
| Allowance for loan losses as a percent of period-end loans (%) | 1.40      | 1.41      | 1.50      | 1.46      | 1.51      |
| Net charge-offs (annualized) as a percent of average loans (%) | 0.51      | 0.59      | 0.77      | 0.68      | 0.47      |
| Non-performing loans as a percent of loans                     | 1.72      | 1.68      | 1.65      | 1.62      | 1.64      |
| Non-performing assets as a percent of assets                   | 1.13      | 1.09      | 1.06      | 1.10      | 1.09      |

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

(Dollars in thousands, except per share data)

|  | Dec. 2003 | Sept. 2003 | June 2003 | March 2003 | Dec. 2002 |
|--|-----------|------------|-----------|------------|-----------|
| <b>INTEREST INCOME</b>   |           |            |           |            |           |
| Loans (including fees):  |           |            |           |            |           |
| Taxable  | \$ 19,286 | \$ 18,950  | \$ 18,814 | \$ 18,605  | \$ 19,637 |
| Exempt from federal income taxes   | 209       | 212        | 206       | 211        | 219       |
| Securities:  |           |            |           |            |           |
| Taxable  | 5,819     | 5,348      | 5,518     | 6,234      | 5,566     |
| Exempt from federal income taxes   | 703       | 689        | 714       | 728        | 735       |
| Federal funds sold and other temp. investments                             | 27        | 30         | 136       | 123        | 154       |
| Total interest income  | 26,044    | 25,229     | 25,388    | 25,901     | 26,311    |
| <b>INTEREST EXPENSE</b>  |           |            |           |            |           |
| Deposits   | 5,338     | 5,118      | 5,563     | 5,779      | 6,771     |
| Federal funds purchased and securities sold under agreements to repurchase | 682       | 613        | 596       | 581        | 700       |
| Note Payable   | 47        | 50         | 54        | 63         | 28        |
| Other borrowed funds   | 3         | 2          | 3         | 3          | 14        |
| Federal Home Loan Bank advances  | 4,971     | 4,895      | 4,649     | 4,659      | 4,119     |
| Debentures and capital securities  | 822       | 734        | 733       | 733        | 733       |
| Total interest expense   | 11,863    | 11,412     | 11,598    | 11,818     | 12,365    |
| Net interest income  | 14,181    | 13,817     | 13,790    | 14,083     | 13,946    |
| Provision for loan losses  | 1,486     | 1,096      | 2,855     | 2,173      | 2,350     |
| Net interest income after provision for loan losses                        | 12,695    | 12,721     | 10,935    | 11,910     | 11,596    |
| <b>NON-INTEREST INCOME</b>   |           |            |           |            |           |
| Mortgage banking income  | 441       | (1,157)    | 6,550     | 4,358      | 2,658     |
| Service charges on deposit accounts  | 1,628     | 1,549      | 1,555     | 1,527      | 1,587     |
| Trust fees   | 757       | 631        | 563       | 609        | 637       |
| Security gains (losses)  | 967       | 3,566      | 0         | 51         | (67)      |
| Gain on sale of banking centers  | 0         | 0          | 0         | 5,619      | 0         |

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|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Other operating income                      | 2,755     | 2,468     | 2,032     | 2,098     | 2,432     |
| Total non-interest income                   | 6,548     | 7,057     | 10,700    | 14,262    | 7,247     |
| NON-INTEREST EXPENSE                        |           |           |           |           |           |
| Salaries and employee benefits              | 7,636     | 6,701     | 7,642     | 7,604     | 7,217     |
| Net occupancy                               | 1,236     | 1,180     | 1,125     | 1,199     | 1,099     |
| Equipment                                   | 909       | 1,045     | 1,059     | 1,039     | 742       |
| Professional services                       | 805       | 707       | 1,138     | 767       | 648       |
| Assessment on deposits and other taxes      | 222       | 501       | 388       | 392       | 354       |
| Amortization of intangible assets           | 124       | 113       | 112       | 118       | 144       |
| Merger costs                                | 0         | 0         | 0         | 0         | 10        |
| Banking center reconfiguration              | 0         | 0         | 0         | 0         | 2,096     |
| Other operating expenses                    | 3,066     | 2,829     | 2,552     | 2,554     | 2,265     |
| Total non-interest expense                  | 13,998    | 13,076    | 14,016    | 13,673    | 14,575    |
| Income before federal income taxes          | 5,245     | 6,702     | 7,619     | 12,499    | 4,268     |
| Income tax expense                          | 1,096     | 1,795     | 2,181     | 3,838     | 840       |
| Net income                                  | \$ 4,149  | \$ 4,907  | \$ 5,438  | \$ 8,661  | \$ 3,428  |
| NET INCOME PER COMMON SHARE:                |           |           |           |           |           |
| Basic                                       | \$ 0.44   | \$ 0.52   | \$ 0.57   | \$ 0.90   | \$ 0.35   |
| Diluted                                     | \$ 0.43   | \$ 0.51   | \$ 0.57   | \$ 0.89   | \$ 0.34   |
| Weighted average common shares outstanding: |           |           |           |           |           |
| Basic                                       | 9,471,371 | 9,474,925 | 9,484,646 | 9,620,401 | 9,835,995 |
| Diluted                                     | 9,616,188 | 9,610,350 | 9,575,001 | 9,714,253 | 9,967,373 |
| Note: Fully taxable equivalent adjustment   | \$ 491    | \$ 485    | \$ 495    | \$ 506    | \$ 514    |

**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 | March 2003 | Dec. 2002 |
|--|-----------|------------|-----------|------------|-----------|
| <b>INTEREST INCOME</b>   |           |            |           |            |           |
| Loans (including fees):  |           |            |           |            |           |
| Taxable  | \$ 75,655 | \$ 56,369  | \$ 37,419 | \$ 18,605  | \$ 79,671 |
| Exempt from federal income taxes   | 838       | 629        | 417       | 211        | 922       |
| Securities:  |           |            |           |            |           |
| Taxable  | 22,919    | 17,100     | 11,752    | 6,234      | 22,648    |
| Exempt from federal income taxes   | 2,834     | 2,131      | 1,442     | 728        | 2,946     |
| Federal funds sold and other temp. investments                             | 316       | 289        | 259       | 123        | 1,085     |
| Total interest income  | 102,562   | 76,518     | 51,289    | 25,901     | 107,272   |
| <b>INTEREST EXPENSE</b>  |           |            |           |            |           |
| Deposits   | 21,798    | 16,460     | 11,342    | 5,779      | 29,400    |
| Federal funds purchased and securities sold under agreements to repurchase | 2,472     | 1,790      | 1,177     | 581        | 2,499     |
| Note Payable   | 214       | 167        | 117       | 63         | 38        |
| Other borrowed funds   | 11        | 8          | 6         | 3          | 42        |
| Federal Home Loan Bank advances  | 19,174    | 14,203     | 9,308     | 4,659      | 15,900    |
| Debentures and capital securities  | 3,022     | 2,200      | 1,466     | 733        | 2,933     |
| Total interest expense   | 46,691    | 34,828     | 23,416    | 11,818     | 50,812    |
| Net interest income  | 55,871    | 41,690     | 27,873    | 14,083     | 56,460    |
| Provision for loan losses  | 7,610     | 6,124      | 5,028     | 2,173      | 6,159     |
| Net interest income after provision for loan losses                        | 48,261    | 35,566     | 22,845    | 11,910     | 50,301    |
| <b>NON-INTEREST INCOME</b>   |           |            |           |            |           |
| Mortgage banking revenue   | 10,194    | 9,751      | 10,908    | 4,358      | 6,409     |
| Service charges on deposit accounts  | 6,259     | 4,631      | 3,082     | 1,527      | 5,823     |
| Trust fees   | 2,560     | 1,803      | 1,172     | 609        | 2,715     |
| Trading account losses   | 0         | 0          | 0         | 0          | (20)      |

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|   |           |           |           |           |            |
|---|-----------|-----------|-----------|-----------|------------|
| Security gains (losses)                     | 4,584     | 3,617     | 51        | 51        | 592        |
| Gain on sale of banking centers             | 5,619     | 5,619     | 5,619     | 5,619     | 0          |
| Other operating income                      | 9,351     | 6,598     | 4,130     | 2,098     | 7,906      |
| Total non-interest income                   | 38,567    | 32,019    | 24,962    | 14,262    | 23,425     |
| NON-INTEREST EXPENSE                        |           |           |           |           |            |
| Salaries and employee benefits              | 29,583    | 21,947    | 15,246    | 7,604     | 26,345     |
| Net occupancy                               | 4,740     | 3,504     | 2,324     | 1,199     | 4,480      |
| Equipment                                   | 4,052     | 3,143     | 2,098     | 1,039     | 3,898      |
| Professional services                       | 3,417     | 2,612     | 1,905     | 767       | 2,139      |
| Assessment on deposits and other taxes      | 1,503     | 1,281     | 780       | 392       | 1,397      |
| Amortization of intangible assets           | 467       | 343       | 230       | 118       | 475        |
| Merger costs                                | 0         | 0         | 0         | 0         | 134        |
| Banking center reconfiguration              | 0         | 0         | 0         | 0         | 2,096      |
| Other operating expenses                    | 11,001    | 7,935     | 5,106     | 2,554     | 8,532      |
| Total non-interest expense                  | 54,763    | 40,765    | 27,689    | 13,673    | 49,496     |
| Income before federal income taxes          | 32,065    | 26,820    | 20,118    | 12,499    | 24,230     |
| Income tax expense                          | 8,910     | 7,814     | 6,019     | 3,838     | 6,230      |
| Net income                                  | \$ 23,155 | \$ 19,006 | \$ 14,099 | \$ 8,661  | \$ 18,000  |
| NET INCOME PER COMMON SHARE:                |           |           |           |           |            |
| Basic                                       | \$ 2.43   | \$ 1.99   | \$ 1.48   | \$ 0.90   | \$ 1.82    |
| Diluted                                     | \$ 2.41   | \$ 1.97   | \$ 1.46   | \$ 0.89   | \$ 1.79    |
| Weighted average common shares outstanding: |           |           |           |           |            |
| Basic                                       | 9,512,324 | 9,526,125 | 9,552,149 | 9,620,401 | 9,905,832  |
| Diluted                                     | 9,623,388 | 9,631,663 | 9,644,621 | 9,714,253 | 10,040,001 |
| Note: Fully taxable equivalent adjustment   | \$ 1,977  | \$ 1,486  | \$ 1,001  | \$ 506    | \$ 2,083   |

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

|  | Dec. 31      | Sept. 30     | June 30      | March 31     | Dec. 31      |
|--|--------------|--------------|--------------|--------------|--------------|
|  | 2003         | 2003         | 2003         | 2003         | 2002         |
| <b>ASSETS</b>  |              |              |              |              |              |
| Cash and due from banks  | \$ 40,773    | \$ 57,305    | \$ 42,194    | \$ 43,334    | \$ 60,822    |
| Federal funds sold and other temp. investments                             | 6,529        | 13,128       | 44,505       | 29,523       | 61,449       |
| Securities available-for-sale (at market value)                            | 620,696      | 602,893      | 556,434      | 539,309      | 523,669      |
| Loans:   |              |              |              |              |              |
| Commercial   | 631,170      | 598,762      | 571,788      | 558,499      | 542,693      |
| Consumer   | 399,137      | 372,826      | 339,723      | 325,819      | 322,840      |
| Real estate (including loans held for sale)                                | 319,513      | 330,030      | 288,119      | 331,163      | 302,258      |
| Total loans  | 1,349,820    | 1,301,618    | 1,199,630    | 1,215,481    | 1,167,791    |
| Less allowance for loan losses   | 18,874       | 18,372       | 18,030       | 17,756       | 17,595       |
| Net loans  | 1,330,946    | 1,283,246    | 1,181,600    | 1,197,725    | 1,150,196    |
| Premises and equipment   | 19,013       | 17,944       | 17,048       | 16,125       | 16,632       |
| Accrued interest receivable  | 8,501        | 8,710        | 8,289        | 9,414        | 8,762        |
| Goodwill and intangible assets   | 20,047       | 20,117       | 20,230       | 20,343       | 20,422       |
| Servicing assets   | 20,936       | 19,827       | 14,880       | 13,743       | 12,403       |
| Other assets   | 49,089       | 51,580       | 41,053       | 39,511       | 40,420       |
| Total assets   | \$ 2,116,530 | \$ 2,074,750 | \$ 1,926,233 | \$ 1,909,027 | \$ 1,894,775 |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                                 |              |              |              |              |              |
| Deposits:  |              |              |              |              |              |
| Demand - non-interest bearing  | \$ 170,176   | \$ 165,242   | \$ 155,285   | \$ 155,892   | \$ 179,714   |
| Demand - interest bearing  | 142,709      | 164,186      | 204,430      | 147,747      | 103,583      |
| Savings  | 346,851      | 350,231      | 347,722      | 363,443      | 405,437      |
| Time deposits  | 555,606      | 485,622      | 465,379      | 454,784      | 506,378      |
| Total deposits   | 1,215,342    | 1,165,281    | 1,172,816    | 1,121,866    | 1,195,112    |
| Federal funds purchased and securities sold under agreements to repurchase | 216,761      | 238,047      | 175,011      | 206,069      | 138,796      |
| Note payable   | 7,750        | 7,750        | 7,750        | 14,000       | 7,000        |
| Other borrowed funds   | 1,301        | 1,579        | 1,219        | 155          | 3,863        |

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|   |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Accrued expenses and other liabilities  | 14,524              | 17,562              | 19,612              | 20,089              | 17,331              |
| Federal Home Loan Bank advances   | 492,299             | 478,198             | 379,089             | 379,971             | 365,844             |
| Debentures  | 31,537              | 0                   | 0                   | 0                   | 0                   |
| Corporation-obligated mandatorily redeemable capital securities of subsidiary trust | 0                   | 30,534              | 30,521              | 30,508              | 30,495              |
| <b>Total liabilities</b>  | <b>1,979,514</b>    | <b>1,938,951</b>    | <b>1,786,018</b>    | <b>1,772,658</b>    | <b>1,758,441</b>    |
| Shareholders' equity:   |                     |                     |                     |                     |                     |
| Common stock, no par value; 30,000,000 shares authorized;                           | 42,973              | 42,815              | 41,750              | 41,745              | 41,763              |
| Treasury stock  | (36,173)            | (36,173)            | (34,771)            | (33,740)            | (27,180)            |
| Other comprehensive income  | (834)               | 457                 | 7,642               | 6,410               | 6,656               |
| Retained earnings   | 131,050             | 128,700             | 125,594             | 121,954             | 115,095             |
| <b>Total shareholders' equity</b>   | <b>137,016</b>      | <b>135,799</b>      | <b>140,215</b>      | <b>136,369</b>      | <b>136,334</b>      |
| <b>Total liabilities and shareholders' equity</b>                                   | <b>\$ 2,116,530</b> | <b>\$ 2,074,750</b> | <b>\$ 1,926,233</b> | <b>\$ 1,909,027</b> | <b>\$ 1,894,775</b> |
| Miscellaneous data:   |                     |                     |                     |                     |                     |
| Common shares issued  | 10,991,460          | 10,990,460          | 10,936,760          | 10,922,720          | 11,041,263          |
| Treasury shares   | 1,520,089           | 1,520,089           | 1,468,541           | 1,426,841           | 1,279,009           |
| Bank owned life insurance (in other assets)   | \$ 34,742           | \$ 34,149           | \$ 33,769           | \$ 33,489           | \$ 33,086           |
| Loans serviced for others   | \$ 1,750,733        | \$ 1,692,880        | \$ 1,631,790        | \$ 1,463,926        | \$ 1,320,316        |
| Goodwill  | \$ 16,700           | \$ 16,647           | \$ 16,647           | \$ 16,647           | \$ 16,708           |
| Other intangibles   | 3,347               | 3,470               | 3,583               | 3,696               | 3,714               |
| <b>Total goodwill and intangible assets</b>   | <b>\$ 20,047</b>    | <b>\$ 20,117</b>    | <b>\$ 20,230</b>    | <b>\$ 20,343</b>    | <b>\$ 20,422</b>    |
| Mortgage servicing rights (net of allowance)  | \$ 20,512           | \$ 19,378           | \$ 14,429           | \$ 13,299           | \$ 11,967           |
| Other servicing assets  | 424                 | 449                 | 451                 | 444                 | 436                 |
|   | \$ 20,936           | \$ 19,827           | \$ 14,880           | \$ 13,743           | \$ 12,403           |
| Valuation allowance for mortgage servicing rights included above                    | \$ (2,393)          | \$ (2,774)          | \$ (6,304)          | \$ (4,783)          | \$ (3,794)          |



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

| ASSETS   | Dec. 2003   | Sept. 2003  | June 2003   | March 2003  | Dec. 2002   |
|--|-------------|-------------|-------------|-------------|-------------|
| Cash and demand balances due from banks        | \$ 40,524   | \$ 43,675   | \$ 37,686   | \$ 38,392   | \$ 35,454   |
| Federal funds sold and other temp. investments | 12,219      | 14,697      | 50,390      | 44,849      | 47,197      |
| Securities:                                    |             |             |             |             |             |
| Trading  | 0           | 0           | 0           | 0           | 0           |
| Available-for-sale                             | 628,310     | 610,468     | 541,921     | 528,434     | 494,245     |
| Total securities                               | 628,310     | 610,468     | 541,921     | 528,434     | 494,245     |
| Loans:   |             |             |             |             |             |
| Commercial                                     | 613,183     | 584,553     | 562,499     | 551,882     | 533,996     |
| Consumer                                       | 389,303     | 353,299     | 336,303     | 324,729     | 323,939     |
| Real estate (including loans held for sale)    | 314,667     | 308,128     | 298,498     | 301,006     | 313,227     |
| Total loans                                    | 1,317,153   | 1,245,980   | 1,197,300   | 1,177,617   | 1,171,162   |
| Allowance for loan losses                      | 18,463      | 18,137      | 17,787      | 17,566      | 17,345      |
| Net loans                                      | 1,298,690   | 1,227,843   | 1,179,513   | 1,160,051   | 1,153,817   |
| Premises and equipment                         | 19,020      | 17,666      | 16,828      | 16,508      | 16,611      |
| Goodwill and intangible assets                 | 20,076      | 20,166      | 20,282      | 20,461      | 19,676      |
| Servicing assets                               | 20,105      | 17,377      | 14,859      | 13,310      | 11,832      |
| Other  | 53,609      | 52,897      | 47,499      | 47,519      | 46,882      |
| Total assets                                   | \$2,092,553 | \$2,004,789 | \$1,908,978 | \$1,869,524 | \$1,825,714 |

**LIABILITIES AND  
SHAREHOLDERS EQUITY**

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Liabilities:                           |            |            |            |            |            |
| Demand deposits (non-interest bearing) | \$ 167,689 | \$ 161,281 | \$ 159,636 | \$ 153,223 | \$ 156,607 |
| Demand deposits (interest bearing)     | 152,202    | 187,231    | 183,323    | 117,469    | 100,240    |
| Savings                                | 353,391    | 346,965    | 356,281    | 382,673    | 411,109    |
| Time deposits                          | 523,107    | 462,340    | 460,479    | 482,316    | 512,653    |
| Total deposits                         | 1,196,389  | 1,157,817  | 1,159,719  | 1,135,681  | 1,180,609  |



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|  |                    |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Federal funds purchased and securities sold under agreements to repurchase | 230,115            | 208,549            | 178,618            | 164,329            | 165,504            |
| Note payable   | 7,749              | 7,750              | 8,369              | 9,733              | 4,107              |
| Borrowed funds   | 370                | 563                | 186                | 455                | 1,281              |
| Accrued expenses and other liabilities                                     | 15,693             | 17,626             | 18,243             | 17,863             | 14,306             |
| Federal Home Loan Bank advances  | 478,044            | 447,116            | 374,061            | 375,710            | 291,957            |
| Debentures and capital securities  | 30,540             | 30,524             | 30,513             | 30,499             | 30,721             |
| <b>Total liabilities</b>   | <b>1,958,900</b>   | <b>1,869,945</b>   | <b>1,769,709</b>   | <b>1,734,270</b>   | <b>1,688,485</b>   |
| Shareholders' equity:  |                    |                    |                    |                    |                    |
| Common stock   | 42,839             | 42,506             | 41,747             | 41,757             | 41,153             |
| Treasury shares  | (36,172)           | (35,646)           | (34,127)           | (30,666)           | (25,050)           |
| Other comprehensive income   | (2,128)            | 939                | 7,434              | 6,778              | 7,032              |
| Retained earnings  | 129,114            | 127,045            | 124,215            | 117,385            | 114,094            |
| <b>Total shareholders' equity</b>  | <b>133,653</b>     | <b>134,844</b>     | <b>139,269</b>     | <b>135,254</b>     | <b>137,229</b>     |
| <b>Total liabilities and shareholders' equity</b>                          | <b>\$2,092,553</b> | <b>\$2,004,789</b> | <b>\$1,908,978</b> | <b>\$1,869,524</b> | <b>\$1,825,714</b> |

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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   | March 2003  | Dec. 2002   |
|---|-------------|-------------|-------------|-------------|-------------|
| Cash and demand balances due from banks     | \$ 40,085   | \$ 39,937   | \$ 38,037   | \$ 38,392   | \$ 34,606   |
| Federal funds sold                          | 30,406      | 36,535      | 47,635      | 44,849      | 68,503      |
| Securities:                                 |             |             |             |             |             |
| Trading                                     | 0           | 0           | 0           | 0           | 40          |
| Available-for-sale                          | 577,648     | 560,575     | 535,215     | 528,434     | 452,587     |
| Total securities                            | 577,648     | 560,575     | 535,215     | 528,434     | 452,627     |
| Loans:                                      |             |             |             |             |             |
| Commercial                                  | 578,215     | 566,431     | 557,220     | 551,882     | 517,185     |
| Consumer                                    | 351,092     | 338,215     | 330,548     | 324,729     | 313,760     |
| Real estate (including loans held for sale) | 305,619     | 302,570     | 299,745     | 301,006     | 290,832     |
| Total loans                                 | 1,234,926   | 1,207,216   | 1,187,513   | 1,177,617   | 1,121,777   |
| Allowance for loan losses                   | 17,991      | 17,832      | 17,677      | 17,566      | 16,992      |
| Net loans                                   | 1,216,935   | 1,189,384   | 1,169,836   | 1,160,051   | 1,104,785   |
| Premises and equipment                      | 17,513      | 17,005      | 16,669      | 16,508      | 16,602      |
| Goodwill and intangible assets              | 20,245      | 20,302      | 20,371      | 20,461      | 19,018      |
| Servicing assets                            | 16,434      | 15,197      | 14,089      | 13,310      | 10,520      |
| Other                                       | 50,404      | 49,324      | 47,508      | 47,519      | 47,495      |
| Total assets                                | \$1,969,670 | \$1,928,259 | \$1,889,360 | \$1,869,524 | \$1,754,156 |
| <br>  |             |             |             |             |             |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |             |             |             |             |             |
| <br>  |             |             |             |             |             |
| Liabilities:                                |             |             |             |             |             |
| Demand deposits (non-interest bearing)      | \$ 160,499  | \$ 158,076  | \$ 156,447  | \$ 153,223  | \$ 146,598  |
| Demand deposits (interest bearing)          | 160,226     | 162,930     | 150,578     | 117,469     | 101,222     |
| Savings                                     | 359,712     | 361,842     | 369,404     | 382,673     | 374,313     |
| Time deposits                               | 482,118     | 468,305     | 471,337     | 482,316     | 537,217     |
| Total deposits                              | 1,162,555   | 1,151,153   | 1,147,766   | 1,135,681   | 1,159,350   |
| Federal funds purchased and                 | 195,619     | 183,994     | 171,513     | 164,329     | 136,041     |

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|  |                    |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| securities sold under agreements<br>to repurchase    |                    |                    |                    |                    |                    |
| Note payable   | 8,393              | 8,610              | 9,047              | 9,733              | 1,335              |
| Borrowed funds                                       | 394                | 402                | 320                | 455                | 1,726              |
| Accrued expenses and other<br>liabilities            | 17,351             | 17,910             | 18,054             | 17,863             | 12,000             |
| Federal Home Loan Bank<br>advances                   | 419,091            | 399,224            | 374,881            | 375,710            | 278,998            |
| Debentures and capital securities                    | 30,519             | 30,512             | 30,506             | 30,499             | 30,528             |
| <b>Total liabilities</b>                             | <b>1,833,922</b>   | <b>1,791,805</b>   | <b>1,752,087</b>   | <b>1,734,270</b>   | <b>1,619,978</b>   |
| Shareholders' equity:                                |                    |                    |                    |                    |                    |
| Common stock   | 42,216             | 42,006             | 41,752             | 41,757             | 39,177             |
| Treasury shares                                      | (34,172)           | (33,498)           | (32,406)           | (30,666)           | (20,590)           |
| Net unrealized holding gains                         | 3,225              | 5,029              | 7,108              | 6,778              | 5,996              |
| Retained earnings                                    | 124,479            | 122,917            | 120,819            | 117,385            | 109,595            |
| <b>Total shareholders' equity</b>                    | <b>135,748</b>     | <b>136,454</b>     | <b>137,273</b>     | <b>135,254</b>     | <b>134,178</b>     |
| <b>Total liabilities and shareholders<br/>equity</b> | <b>\$1,969,670</b> | <b>\$1,928,259</b> | <b>\$1,889,360</b> | <b>\$1,869,524</b> | <b>\$1,754,156</b> |

**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       | March 2003      | Dec. 2002       |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Earnings:</b>                             |                 |                 |                 |                 |                 |
| Net interest income                          | \$ 14,181       | \$ 13,817       | \$ 13,790       | \$ 14,083       | \$ 13,946       |
| Provision for loan losses                    | 1,486           | 1,096           | 2,855           | 2,173           | 2,350           |
| Non-interest income                          | 5,581           | 3,491           | 10,700          | 8,592           | 7,314           |
| Security gains (losses)                      | 967             | 3,566           | 0               | 51              | (67)            |
| Trading account losses                       | 0               | 0               | 0               | 0               | 0               |
| Non-interest expense                         | 13,998          | 13,076          | 14,016          | 13,673          | 12,469          |
| Federal income taxes                         | 1,096           | 1,795           | 2,181           | 1,871           | 1,577           |
| <b>Net income</b>                            | <b>\$ 4,149</b> | <b>\$ 4,907</b> | <b>\$ 5,438</b> | <b>\$ 5,009</b> | <b>\$ 4,797</b> |
| <b>Per share:</b>                            |                 |                 |                 |                 |                 |
| Basic earnings                               | \$ 0.44         | \$ 0.52         | \$ 0.57         | \$ 0.52         | \$ 0.49         |
| Diluted earnings                             | 0.43            | 0.51            | 0.57            | 0.52            | 0.48            |
| <b>Key ratios: (%)</b>                       |                 |                 |                 |                 |                 |
| Return on average assets (ROA)               | 0.79            | 0.98            | 1.14            | 1.07            | 1.05            |
| Return on average shareholders' equity (ROE) | 12.42           | 14.56           | 15.62           | 14.81           | 13.98           |
| Net interest margin                          | 3.00            | 3.06            | 3.19            | 3.33            | 3.38            |
| Net overhead                                 | 1.72            | 2.05            | 0.74            | 1.16            | 1.20            |
| Efficiency ratio                             | 69.12           | 73.49           | 56.10           | 58.98           | 57.27           |

**Second Bancorp Incorporated and Subsidiaries**  
**Reconciliation of GAAP vs. Non-GAAP Operating Results**  
**Quarterly Data**

|  | Dec. 2003 | Sept. 2003 | June 2003 | March 2003 | Dec. 2002 |
|--|-----------|------------|-----------|------------|-----------|
| Net income   | \$4,149   | \$4,907    | \$5,438   | \$ 8,661   | \$3,428   |
| Adjustments to GAAP to reflect Non-GAAP Operating Basis: |           |            |           |            |           |
| Add non-recurring costs:                                 |           |            |           |            |           |
| Sale of banking centers                                  | 0         | 0          | 0         | (5,619)    | 0         |
| Merger costs   | 0         | 0          | 0         | 0          | 10        |
| Banking center reconfiguration                           | 0         | 0          | 0         | 0          | 2,096     |
| Total adjustments  | 0         | 0          | 0         | (5,619)    | 2,106     |
| Federal income taxes (benefit)                           | 0         | 0          | 0         | (1,967)    | 737       |

|            |         |         |         |          |         |
|------------|---------|---------|---------|----------|---------|
| Net income | \$4,149 | \$4,907 | \$5,438 | \$ 5,009 | \$4,797 |
|------------|---------|---------|---------|----------|---------|

**Note: Recap of Income from Mortgage Banking Activities**

|  | Dec. 2003 | Sept. 2003 | June 2003 | March 2003 | Dec. 2002 |
|--|-----------|------------|-----------|------------|-----------|
| Gross income from servicing                  | \$ 947    | \$ 1,052   | \$ 986    | \$ 903     | \$ 764    |
| Amortization of MSR's                        | (790)     | (2,723)    | (2,101)   | (1,549)    | (2,322)   |
| (Excess amortization) / net servicing income | 157       | (1,671)    | (1,115)   | (646)      | (1,558)   |
| Change in valuation allowance MSR's          | 381       | 3,530      | (1,522)   | (989)      | (707)     |
| Net derivative gain (loss) non hedging       | (834)     | (6,759)    | 3,035     | 1,805      | (425)     |
| Income (loss) from mortgage servicing        | (296)     | (4,900)    | 398       | 170        | (2,690)   |
| Gain on sale of mortgage loans               | 737       | 3,743      | 6,152     | 4,188      | 5,348     |
| Net mortgage banking revenue (loss)          | \$ 441    | \$(1,157)  | \$ 6,550  | \$ 4,358   | \$ 2,658  |

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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       | March 2003      | Dec. 2002       |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Earnings:</b>                             |                 |                 |                 |                 |                 |
| Net interest income                          | \$55,871        | \$41,690        | \$27,873        | \$14,083        | \$56,460        |
| Provision for loan losses                    | 7,610           | 6,124           | 5,028           | 2,173           | 6,159           |
| Non-interest income                          | 28,364          | 22,783          | 19,292          | 8,592           | 22,853          |
| Security gains (losses)                      | 4,584           | 3,617           | 51              | 51              | 592             |
| Trading account losses                       | 0               | 0               | 0               | 0               | (20)            |
| Non-interest expense                         | 54,763          | 40,765          | 27,689          | 13,673          | 47,266          |
| Federal income taxes                         | 6,943           | 5,847           | 4,052           | 1,871           | 7,011           |
| <b>Net income</b>                            | <b>\$19,503</b> | <b>\$15,354</b> | <b>\$10,447</b> | <b>\$ 5,009</b> | <b>\$19,449</b> |
| <b>Per share:</b>                            |                 |                 |                 |                 |                 |
| Basic earnings                               | \$ 2.05         | \$ 1.61         | \$ 1.09         | \$ 0.52         | \$ 1.96         |
| Diluted earnings                             | 2.03            | 1.59            | 1.08            | 0.52            | 1.94            |
| <b>Key ratios: (%)</b>                       |                 |                 |                 |                 |                 |
| Return on average assets (ROA)               | 0.99            | 1.06            | 1.11            | 1.07            | 1.11            |
| Return on average shareholders' equity (ROE) | 14.37           | 15.00           | 15.22           | 14.81           | 14.49           |
| Net interest margin                          | 3.14            | 3.19            | 3.26            | 3.33            | 3.56            |
| Net overhead                                 | 1.43            | 1.33            | 0.95            | 1.16            | 1.49            |
| Efficiency ratio                             | 63.52           | 61.80           | 57.49           | 58.98           | 58.07           |

**Second Bancorp Incorporated and Subsidiaries**  
**Reconciliation of GAAP vs. Non-GAAP Operating Results**  
**Year-to-Date Data**

|  | Dec. 2003 | Sept. 2003 | June 2003 | March 2003 | Dec. 2002 |
|--|-----------|------------|-----------|------------|-----------|
| Net income   | \$23,155  | \$19,006   | \$14,099  | \$ 8,661   | \$18,000  |
| Adjustments to GAAP to reflect Non-GAAP Operating Basis: |           |            |           |            |           |
| Add non-recurring costs:                                 |           |            |           |            |           |
| Sale of banking centers                                  | (5,619)   | (5,619)    | (5,619)   | (5,619)    | 0         |
| Merger costs   | 0         | 0          | 0         | 0          | 134       |
| Banking center reconfiguration                           | 0         | 0          | 0         | 0          | 2,096     |
| Total adjustments  | (5,619)   | (5,619)    | (5,619)   | (5,619)    | 2,230     |
| Federal income taxes (benefit)                           | (1,967)   | (1,967)    | (1,967)   | (1,967)    | 781       |

|            |           |           |           |          |           |
|------------|-----------|-----------|-----------|----------|-----------|
| Net income | \$ 19,503 | \$ 15,354 | \$ 10,447 | \$ 5,009 | \$ 19,449 |
|------------|-----------|-----------|-----------|----------|-----------|

**Note: Recap of Income from Mortgage Banking Activities**

|  | Dec. 2003 | Sept. 2003 | June 2003 | March 2003 | Dec. 2002 |
|--|-----------|------------|-----------|------------|-----------|
| Gross income from servicing                  | \$ 3,888  | \$ 2,941   | \$ 1,889  | \$ 903     | \$ 2,691  |
| Amortization of MSR's                        | (7,163)   | (6,373)    | (3,650)   | (1,549)    | (4,335)   |
| (Excess amortization) / net servicing income | (3,275)   | (3,432)    | (1,761)   | (646)      | (1,644)   |
| Change in valuation allowance MSR's          | 1,400     | 1,019      | (2,511)   | (989)      | (2,984)   |
| Net derivative gain (loss) non hedging       | (2,753)   | (1,919)    | 4,840     | 1,805      | 567       |
| Income (loss) from mortgage servicing        | (4,628)   | (4,332)    | 568       | 170        | (4,061)   |
| Gain on sale of mortgage loans               | 14,822    | 14,083     | 10,340    | 4,188      | 10,470    |
| Net mortgage banking revenue                 | \$ 10,194 | \$ 9,751   | \$ 10,908 | \$ 4,358   | \$ 6,409  |