

PARK NATIONAL CORP /OH/
Form 10-Q
August 04, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-13006

Park National Corporation

(Exact name of registrant as specified in its charter)

Ohio

31-1179518

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

50 North Third Street, Newark, Ohio 43055

(Address of principal executive offices) (Zip Code)

(740) 349-8451

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

13,964,550 Common shares, no par value per share, outstanding at July 31, 2008.

PARK NATIONAL CORPORATION
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PARK NATIONAL CORPORATION
Consolidated Condensed Balance Sheets (Unaudited)
(dollars in thousands)

	June 30, 2008	December 31, 2007
Assets:		
Cash and due from banks	\$ 184,259	\$ 183,165
Money market instruments	10,325	10,232
Cash and cash equivalents	194,584	193,397
Interest bearing deposits	1	1
Securities available-for-sale, at fair value (amortized cost of \$1,562,770 and \$1,473,052 at June 30, 2008 and December 31, 2007)	1,556,609	1,474,517
Securities held-to-maturity, at amortized cost (fair value approximates \$234,655 and \$161,414 at June 30, 2008 and December 31, 2007)	238,192	165,421
Other investment securities	67,556	63,165
Loans	4,366,029	4,224,134
Allowance for loan losses	86,045	87,102
Net loans	4,279,984	4,137,032
Bank premises and equipment, net	70,074	66,634
Bank owned life insurance	129,980	119,472
Goodwill and other intangible assets	142,543	144,556
Other assets	140,710	136,907
Total assets	\$6,820,233	\$6,501,102
Liabilities and Stockholders' Equity:		
Deposits:		
Noninterest bearing	\$ 764,405	\$ 695,466
Interest bearing	3,767,469	3,743,773

Total deposits	4,531,874	4,439,239
Short-term borrowings	722,460	759,318
Long-term debt	875,715	590,409
Subordinated Debentures	40,000	40,000
Other liabilities	72,071	92,124
Total liabilities	6,242,120	5,921,090

COMMITMENTS AND CONTINGENCIES

Stockholders' Equity:

Common stock (No par value; 20,000,000 shares authorized; 16,151,177 shares issued at 2008 and 16,151,200 shares issued at 2007)	301,212	301,213
Retained earnings	492,507	489,511
Treasury stock (2,186,624 shares at 2008 and 2,186,624 shares at 2007)	(208,104)	(208,104)
Accumulated other comprehensive (loss), net of taxes	(7,502)	(2,608)
Total stockholders' equity	578,113	580,012
Total liabilities and stockholders' equity	\$6,820,233	\$6,501,102

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Income (Unaudited)

(dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Interest and dividends income:				
Interest and fees on loans	\$74,932	\$ 83,479	\$153,942	\$154,661
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	22,629	18,278	43,334	36,825
Obligations of states and political subdivisions	565	782	1,219	1,595
Other interest income	75	286	174	580
Total interest and dividends income	98,201	102,825	198,669	193,661
Interest expense:				
Interest on deposits:				
Demand and savings deposits	5,335	10,530	12,693	18,627
Time deposits	16,618	21,228	35,817	38,809
Interest on borrowings:				
Short-term borrowings	4,082	4,254	8,832	8,172
Long-term debt	7,840	6,403	15,517	12,745
Total interest expense	33,875	42,415	72,859	78,353
Net interest income	64,326	60,410	125,810	115,308
Provision for loan losses	14,569	2,881	21,963	5,086

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Net interest income after provision for loan losses	49,757	57,529	103,847	110,222
Other income:				
Income from fiduciary activities	3,710	3,571	7,283	7,075
Service charges on deposit accounts	6,067	5,947	11,851	10,794
Other service income	2,861	2,763	5,938	5,268
Other	5,905	6,181	14,510	11,499
Total other income	18,543	18,462	39,582	34,636
Gain on sale of securities	587		896	

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PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Income (Unaudited)
(Continued)

(dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Other expense:				
Salaries and employee benefits	\$ 24,486	\$ 24,735	\$ 49,157	\$ 47,796
Occupancy expense	2,883	2,794	5,908	5,354
Furniture and equipment expense	2,576	2,381	4,893	4,557
Other expense	14,488	12,570	27,752	24,082
Total other expense	44,433	42,480	87,710	81,789
Income before income taxes	24,454	33,511	56,615	63,069
Income taxes	6,263	10,001	15,446	18,496
Net income	\$ 18,191	\$ 23,510	\$ 41,169	\$ 44,573
Per Share:				
Net income:				
Basic	\$ 1.30	\$ 1.62	\$ 2.95	\$ 3.11
Diluted	\$ 1.30	\$ 1.62	\$ 2.95	\$ 3.11
Weighted average				
Basic	13,964,561	14,506,926	13,964,567	14,314,129
Diluted	13,964,561	14,507,895	13,964,567	14,323,206
Cash dividends declared	\$ 0.94	\$ 0.93	\$ 1.88	\$ 1.86

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PARK NATIONAL CORPORATION**Consolidated Condensed Statements of Changes in Stockholders' Equity (Unaudited)**

(dollars in thousands, except share data)

	Common Stock	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (loss)	Comprehensive Income
Six Months ended June 30, 2008 and 2007					
BALANCE AT DECEMBER 31, 2006	\$217,067	\$519,563	(\$143,371)	(\$22,820)	
Net Income		44,573			\$44,573
Other comprehensive income (loss), net of tax:					
Unrealized net holding (loss) on securities available-for-sale, net of taxes (\$4,906)				(9,113)	(9,113)
Total comprehensive income					\$35,460
Cash dividends on common stock at \$1.86 per share		(26,483)			
Cash payment for fractional shares in dividend reinvestment plan	(3)				
Treasury stock purchased - 397,931 shares			(35,576)		
Treasury stock reissued for stock options - 3,561 shares			296		
Shares issued for Vision Bancshares purchase - 792,937 shares	83,258				
BALANCE AT JUNE 30, 2007	\$300,322	\$537,653	(\$178,651)	(\$31,933)	
BALANCE AT DECEMBER 31, 2007	\$301,213	\$489,511	(\$208,104)	(\$2,608)	
Net Income		41,169			\$41,169
Other comprehensive income (loss), net of tax:					
Unrealized net holding gain on cash flow hedge, net of taxes \$34				63	63
Unrealized net holding (loss) on securities available-for-sale, net of taxes (\$2,669)				(4,957)	(4,957)

Total comprehensive income				\$ 36,275
Cash dividends on common stock at \$1.88 per share		(26,208)		
Cash payment for fractional shares in dividend reinvestment plan	(1)			
Postretirement benefit pertaining to endorsement split-dollar life insurance		(11,634)		
FAS 158 measurement date adjustment, net of taxes (\$178)		(331)		

BALANCE AT JUNE 30, 2008	\$301,212	\$492,507	(\$208,104)	(\$ 7,502)
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SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Cash Flows (Unaudited)
(dollars in thousands)

	Six Months Ended	
	June 30,	
	2008	2007
Operating activities:		
Net income	\$ 41,169	\$ 44,573
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, accretion and amortization	(278)	(1,455)
Provision for loan losses	21,963	5,086
Other than temporary impairment on investment securities	439	
Stock dividends on Federal Home Loan Bank stock	(1,485)	
Realized net investment security gains	(896)	
Amortization of core deposit intangibles	2,013	1,721
Changes in assets and liabilities:		
Increase in other assets	(3,866)	(7,086)
Decrease in other liabilities	(18,453)	(21,782)
Net cash provided from operating activities	40,606	21,057
Investing activities:		
Proceeds from sales of available-for-sale securities	80,896	
Proceeds from maturity of:		
Available-for-sale securities	186,348	431,649
Held-to-maturity securities	3,935	5,741
Purchases of:		
Available-for-sale securities	(355,612)	(404,007)
Held-to-maturity securities	(76,705)	

Net increase in other investments	(2,906)	
Net increase in loans	(161,759)	(51,485)
Cash paid for acquisition, net		(44,993)
Purchases of bank owned life insurance, net	(8,107)	
Purchases of premises and equipment, net	(7,210)	(11,806)
Net cash used by investing activities	(341,120)	(74,901)

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PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Cash Flows (Unaudited)
(Continued)

(dollars in thousands)

	Six Months Ended	
	June 30,	
	2008	2007
Financing activities:		
Net increase in deposits	\$ 92,635	\$ 137,820
Net (decrease) increase in short-term borrowings	(36,858)	72,615
Proceeds from exercise of stock options		296
Purchase of treasury stock		(35,576)
Cash payment for fractional shares in dividend reinvestment plan	(1)	(3)
Long-term debt issued	290,000	75,100
Repayment of long-term debt	(4,694)	(159,469)
Cash dividends paid	(39,381)	(39,430)
Net cash provided from financing activities	301,701	51,353
Increase (decrease) in cash and cash equivalents	1,187	(2,491)
Cash and cash equivalents at beginning of year	193,397	186,256
Cash and cash equivalents at end of period	\$ 194,584	\$ 183,765
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$ 74,210	\$ 77,860
Income taxes	\$ 19,800	\$ 21,551

Summary of business acquisition:

Fair value of assets acquired	\$ 686,512
Cash paid for purchase of Vision Bancshares	(87,843)
Stock issued for purchase of Vision Bancshares	(83,258)
Fair value of liabilities assumed	(624,432)
Goodwill recognized	(\$ 109,021)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2008 and 2007.

Note 1 Basis of Presentation

The consolidated financial statements included in this report have been prepared by Park National Corporation (the Registrant, Corporation, Company, or Park) without audit. In the opinion of management, all adjustments (consisting solely of normal recurring accruals) necessary