

PARK NATIONAL CORP /OH/  
Form 10-Q  
November 01, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(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

15,422,510 Common shares, no par value per share, outstanding at November 1, 2013.

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PARK NATIONAL CORPORATION

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## PARK NATIONAL CORPORATION AND SUBSIDIARIES

## Consolidated Condensed Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	September 30, 2013	December 31, 2012
Assets:		
Cash and due from banks	\$135,440	\$164,120
Money market instruments	179,434	37,185
Cash and cash equivalents	314,874	201,305
Investment securities:		
Securities available-for-sale, at fair value (amortized cost of \$1,166,888 and \$1,099,658 at September 30, 2013 and December 31, 2012, respectively)	1,129,483	1,114,454
Securities held-to-maturity, at amortized cost (fair value of \$199,941 and \$410,705 at September 30, 2013 and December 31, 2012, respectively)	193,997	401,390
Other investment securities	65,907	65,907
Total investment securities	1,389,387	1,581,751
Loans	4,573,537	4,450,322
Allowance for loan losses	(57,894	) (55,537
Net loans	4,515,643	4,394,785
Bank owned life insurance	168,156	161,069
Goodwill and other intangible assets	72,334	72,671
Premises and equipment, net	56,116	53,751
Other real estate owned	35,412	35,718
Accrued interest receivable	17,954	19,710
Mortgage loan servicing rights	9,132	7,763
Other	126,883	114,280
Total assets	\$6,705,891	\$6,642,803
Liabilities and Stockholders' Equity:		
Deposits:		
Noninterest bearing	\$1,109,194	\$1,137,290
Interest bearing	3,741,498	3,578,742
Total deposits	4,850,692	4,716,032
Short-term borrowings	272,505	344,168
Long-term debt	809,336	781,658
Subordinated debentures and notes	80,250	80,250
Accrued interest payable	3,196	3,459
Other	57,167	66,870
Total liabilities	\$6,073,146	\$5,992,437
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Common shares (No par value; 20,000,000 shares authorized; 16,150,952 shares issued at September 30, 2013 and 16,150,987 shares issued at December 31, 2012)	\$302,652	\$302,654
Retained earnings	457,917	441,605
Treasury stock (738,989 shares at September 30, 2013 and at December 31, 2012)	(76,375	) (76,375
Accumulated other comprehensive loss, net of taxes	(51,449	) (17,518
Total stockholders' equity	632,745	650,366
Total liabilities and stockholders' equity	\$6,705,891	\$6,642,803

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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## PARK NATIONAL CORPORATION AND SUBSIDIARIES

## Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest and dividend income:				
Interest and fees on loans	\$56,337	\$58,269	\$168,500	\$176,967
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	8,880	12,187	27,795	39,565
Obligations of states and political subdivisions	7	33	40	121
Other interest income	186	129	546	289
Total interest and dividend income	65,410	70,618	196,881	216,942
Interest expense:				
Interest on deposits:				
Demand and savings deposits	422	636	1,391	1,992
Time deposits	2,729	3,757	8,719	12,517
Interest on borrowings:				
Short-term borrowings	132	168	410	506
Long-term debt	7,167	8,041	21,236	23,503
Total interest expense	10,450	12,602	31,756	38,518
Net interest income	54,960	58,016	165,125	178,424
Provision for loan losses	2,498	16,655	3,500	30,231
Net interest income after provision for loan losses	52,462	41,361	161,625	148,193
Other income:				
Income from fiduciary activities	4,139	4,019	12,543	11,891
Service charges on deposit accounts	4,255	4,244	12,147	12,469
Other service income	3,391	4,017	10,728	10,168
Checkcard fee income	3,326	3,038	9,625	9,390
Bank owned life insurance income	1,311	1,184	3,767	3,570
ATM fees	705	565	2,009	1,709
OREO valuation adjustments	(2,030)	(425)	(2,229)	(4,432)
Gain on sale of OREO, net	895	138	2,752	3,386
Gain on sale of the Vision Bank business	—	—	—	22,167
Miscellaneous	1,404	1,299	4,157	4,889
Total other income	17,396	18,079	55,499	75,207





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## PARK NATIONAL CORPORATION

## Consolidated Condensed Statements of Income (Unaudited) (Continued)

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Other expense:				
Salaries and employee benefits	\$25,871	\$24,255	\$75,183	\$71,891
Occupancy expense	2,348	2,303	7,389	7,222
Furniture and equipment expense	2,639	2,666	8,227	8,014
Data processing fees	1,042	904	3,110	3,003
Professional fees and services	5,601	6,040	17,345	17,421
Amortization of intangibles	112	139	337	2,033
Marketing	863	924	2,664	2,472
Insurance	1,174	1,408	3,814	4,298
Communication	1,268	1,470	4,301	4,501
State taxes	929	933	2,785	2,855
Loan put provision	—	(154)	—	3,209
OREO expense	687	661	2,168	2,489
Miscellaneous	2,181	4,134	10,060	10,549
Total other expense	44,715	45,683	137,383	139,957
Income before income taxes	25,143	13,757	79,741	83,443
Federal income taxes	6,114	1,775	19,968	21,100
Net income	19,029	11,982	59,773	62,343
Preferred share dividends and accretion	—	—	—	3,425
Net income available to common shareholders	\$19,029	\$11,982	\$59,773	\$58,918
Earnings per Common Share:				
Net income available to common shareholders				
Basic	\$1.23	\$0.78	\$3.88	\$3.82
Diluted	\$1.23	\$0.78	\$3.88	\$3.82
Weighted average common shares outstanding				
Basic	15,411,972	15,405,894	15,411,981	15,405,902
Diluted	15,411,972	15,405,894	15,411,981	15,409,186
Cash dividends declared	\$0.94	\$0.94	\$2.82	\$2.82

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS



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## PARK NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net income	\$19,029	\$11,982	\$59,773	\$62,343
Other comprehensive income (loss), net of tax:				
Change in funded status of pension plan, net of income taxes of \$222 for the nine months ended September 30, 2012	—	—	—	412
Unrealized net holding gain on cash flow hedge, net of income taxes of \$77 for the three months ended September 30, 2012 and \$216 for the nine months ended September 30, 2012	—	142	—	401
Unrealized net holding (loss) gain on securities available-for-sale, net of income tax (benefit) of \$(5,931) and \$464 for the three months ended September 30, 2013 and 2012, and \$(18,270) and \$790 for the nine months ended September 30, 2013 and 2012, respectively	(11,015 )	864	(33,931 )	1,468
Other comprehensive income (loss)	\$(11,015 )	\$1,006	\$(33,931 )	\$2,281
Comprehensive income	\$8,014	\$12,988	\$25,842	\$64,624

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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## PARK NATIONAL CORPORATION AND SUBSIDIARIES

## Consolidated Condensed Statements of Changes in Stockholders' Equity (Unaudited)

(in thousands, except per share data)

	Preferred Shares	Common Shares	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2011	\$98,146	\$305,499	\$424,557	\$(77,007)	\$(8,831)
Net Income			62,343		
Other comprehensive income, net of tax:					
Change in funded status of pension plan, net of income taxes of \$222					412
Unrealized net holding gain on cash flow hedge, net of income taxes of \$216					401
Unrealized net holding gain on securities available-for-sale, net of income tax of \$790					1,468
Cash dividends on common stock at \$2.82 per share			(43,445)		
Cash payment for fractional shares in dividend reinvestment plan		(2)			
Common shares warrant repurchased		(2,843)			
Preferred shares repurchased	(100,000)				
Accretion of discount on preferred shares	1,854		(1,854)		
Preferred share dividends			(1,571)		