

PARK NATIONAL CORP /OH/
Form 10-Q
August 03, 2012

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 June 30, 2012

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

15,405,893 Common shares, no par value per share, outstanding at August 2, 2012.

PARK NATIONAL CORPORATION

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PARK NATIONAL CORPORATION

Consolidated Condensed Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	June 30, 2012	December 31, 2011
Assets:		
Cash and due from banks	\$132,561	\$137,770
Money market instruments	75,501	19,716
Cash and cash equivalents	208,062	157,486
Investment securities		
Securities available-for-sale, at fair value (amortized cost of \$846,719 and \$801,147 at June 30, 2012 and December 31, 2011)	867,147	820,645
Securities held-to-maturity, at amortized cost (fair value of \$768,076 and \$834,574 at June 30, 2012 and December 31, 2011)	755,222	820,224
Other investment securities	66,285	67,604
Total investment securities	1,688,654	1,708,473
Loans	4,386,851	4,317,099
Allowance for loan losses	(58,696)	(68,444)
Net loans	4,328,155	4,248,655
Bank owned life insurance	158,696	154,567
Goodwill and other intangible assets	72,949	74,843
Bank premises and equipment, net	52,261	53,741
Other real estate owned	38,424	42,272
Accrued interest receivable	20,219	19,697
Mortgage loan servicing rights	8,809	9,301
Other	129,345	120,748
Assets held for sale	—	382,462
Total assets	\$6,705,574	\$6,972,245
Liabilities and Stockholders' Equity:		
Deposits:		
Noninterest bearing	\$1,034,952	\$995,733
Interest bearing	3,788,023	3,469,381
Total deposits	4,822,975	4,465,114
Short-term borrowings	240,602	263,594
Long-term debt	806,287	823,182
Subordinated debentures and notes	105,250	75,250
Accrued interest payable	4,660	4,916
Other	65,177	61,639
Liabilities held for sale	—	536,186
Total liabilities	6,044,951	6,229,881
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock (200,000 shares authorized; 0 shares at June 30, 2012 and 100,000 shares at December 31, 2011 issued with \$1,000 per share liquidation preference)	—	98,146
Common stock (No par value; 20,000,000 shares authorized; 16,151,007 shares issued at June 30, 2012 and 16,151,021 shares issued at December 31, 2011)	302,655	301,202
Common stock warrants	—	4,297

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Retained earnings	442,531	424,557	
Treasury stock (745,109 shares at June 30, 2012 and at December 31,2011)	(77,007) (77,007)
Accumulated other comprehensive (loss), net of taxes	(7,556) (8,831)
Total stockholders' equity	660,623	742,364	
Total liabilities and stockholders' equity	\$6,705,574	\$6,972,245	

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION

Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,	2011	June 30,	2011
	2012		2012	
Interest and dividend income:				
Interest and fees on loans	\$57,593	\$65,862	\$118,698	\$131,316
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	13,794	18,960	27,378	38,013
Obligations of states and political subdivisions	42	92	88	241
Other interest income	57	8	160	14
Total interest and dividend income	71,486	84,922	146,324	169,584
Interest expense:				
Interest on deposits:				
Demand and savings deposits	602	951	1,356	1,942
Time deposits	4,121	6,200	8,760	12,934
Interest on borrowings:				
Short-term borrowings	163	193	338	460
Long-term debt	7,920	7,556	15,462	14,913
Total interest expense	12,806	14,900	25,916	30,249
Net interest income	58,680	70,022	120,408	139,335
Provision for loan losses	5,238	12,516	13,576	26,616
Net interest income after provision for loan losses	53,442	57,506	106,832	112,719
Other income:				
Income from fiduciary activities	4,044	3,929	7,872	7,651
Service charges on deposit accounts	4,154	4,525	8,225	8,770
Other service income	3,417	2,734	6,151	5,035
Checkcard fee income	3,180	3,251	6,352	6,227
Bank owned life insurance income	1,184	1,228	2,386	2,457
ATM fees	536	682	1,144	1,336
OREO devaluations	(2,648)) (3,355) (4,007) (5,890
Gain/(loss) on the sale of OREO, net	2,203	330	3,248	482
Gain on sale of the Vision business	—	—	22,167	—
Other	1,438	1,814	3,590	4,100
Total other income	17,508	15,138	57,128	30,168

Gain on sale of securities	—	15,362	—	21,997
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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		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Other expense:				
Salaries and employee benefits	\$22,813	\$25,253	\$47,636	\$50,317
Occupancy expense	2,249	2,764	4,919	5,764
Furniture and equipment expense	2,727	2,785	5,348	5,442
Data processing fees	899	1,135	2,099	2,388
Professional fees and services	5,800	5,320	11,381	10,194
Amortization of intangibles	140	669	1,894	1,338
Marketing	705	728	1,548	1,351
Insurance	1,400	2,345	2,890	4,614
Communication	1,494	1,485	3,031	3,041
Loan put provision	2,701	—	3,363	—
Other expense	4,876	4,523	10,165	8,904
Total other expense	45,804	47,007	94,274	93,353
Income before income taxes	25,146	40,999	69,686	71,531
Income taxes	6,260	12,046	19,325	20,382
Net income	\$18,886	\$28,953	\$50,361	\$51,149
Preferred stock dividends and accretion	1,948	1,464	3,425	2,928
Net income available to common shareholders	\$16,938	\$27,489	\$46,936	\$48,221
Per Common Share:				
Net income available to common shareholders				
Basic	1.10	1.79	3.05	3.13
Diluted	1.10	1.79	3.05	3.13
Weighted average common shares outstanding				
Basic	15,405,902	15,398,919	15,405,906	15,398,925
Diluted	15,405,902	15,399,593	15,409,690	15,401,506
Cash dividends declared	0.94	0.94	1.88	1.88

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 18,886	\$ 28,953	\$ 50,361	\$ 51,149
Other comprehensive income (loss), 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 \$79 and \$33 for the three months ended June 30, 2012 and 2011, and \$139 and \$104 for the six months ended June 30, 2012 and 2011.	146	60	259	193
Unrealized net holding gain (loss) on securities available-for-sale, net of income taxes (benefit) of \$1,511 and \$(1,146) for the three months ended June 30, 2012 and 2011, and 2,806 of \$326 and \$(4,578) for the six months ended June 30, 2012 and 2011.		(2,129)	604	(8,500)
Other comprehensive income (loss)	\$ 2,952	\$ (2,069)	\$ 1,275	\$ (8,307)
Comprehensive income	\$ 21,838	\$ 26,884	\$ 51,636	\$ 42,842

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION

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

(in thousands, except per share data)

Six Months ended June 30, 2012 and 2011	Preferred Stock	Common Stock	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (loss)
Balance at December 31, 2010	\$97,290	\$305,677	\$406,342	\$(77,733)	\$(1,868)
Net Income			51,149		
Other comprehensive income (loss), net of tax:					
Unrealized net holding gain on cash flow hedge, net of income taxes of \$104					193
Unrealized net holding (loss) on securities available-for-sale, net of income taxes of \$(4,578)					(8,500)
Cash dividends on common stock at \$1.88 per share			(28,951)		
Cash payment for fractional shares in dividend reinvestment plan		(1)			
Common stock warrants canceled		(67)	67		
Accretion of discount on preferred stock	428		(428)		
Preferred stock dividends			(2,500)		
Balance at June 30, 2011	\$97,718	\$305,609	\$425,679	\$(77,733)	\$(10,175)