

PARK NATIONAL CORP /OH/
Form 10-Q
October 28, 2014

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 September 30, 2014

Commission File Number 1-13006

Park National Corporation
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)
50 North Third Street, Newark, Ohio 43055
(Address of principal executive offices) (Zip Code)

31-1179518
(I.R.S. Employer Identification No.)

(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

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 Accelerated filer Non-accelerated filer Smaller reporting company

Edgar Filing: PARK NATIONAL CORP /OH/ - Form 10-Q

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

15,402,613 Common shares, no par value per share, outstanding at October 27, 2014.

PARK NATIONAL CORPORATION

CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Condensed Balance Sheets as of September 30, 2014 and December 31, 2013 (unaudited)</u>	<u>3</u>
<u>Consolidated Condensed Statements of Income for the three and nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>4</u>
<u>Consolidated Condensed Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>6</u>
<u>Consolidated Condensed Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>7</u>
<u>Consolidated Condensed Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>8</u>
<u>Notes to Unaudited Consolidated Condensed Financial Statements</u>	<u>10</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>45</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
<u>Item 4. Controls and Procedures</u>	<u>67</u>
<u>PART II. OTHER INFORMATION</u>	<u>68</u>
<u>Item 1. Legal Proceedings</u>	<u>68</u>
<u>Item 1A. Risk Factors</u>	<u>68</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>68</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>69</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>69</u>
<u>Item 5. Other Information</u>	<u>69</u>
<u>Item 6. Exhibits</u>	<u>69</u>
<u>SIGNATURES</u>	<u>71</u>

Table of Contents

PARK NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Condensed Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	September 30, 2014	December 31, 2013
Assets:		
Cash and due from banks	\$ 101,760	\$ 129,078
Money market instruments	201,526	17,952
Cash and cash equivalents	303,286	147,030
Investment securities:		
Securities available-for-sale, at fair value (amortized cost of \$1,277,358 and \$1,222,143 at September 30, 2014 and December 31, 2013, respectively)	1,263,965	1,176,266
Securities held-to-maturity, at amortized cost (fair value of \$152,986 and \$187,402 at September 30, 2014 and December 31, 2013, respectively)	150,349	182,061
Other investment securities	58,311	65,907
Total investment securities	1,472,625	1,424,234
Loans held for sale	28,606	1,666
Loans	4,770,433	4,618,839
Allowance for loan losses	(57,674	) (59,468
Net loans	4,712,759	4,559,371
Bank owned life insurance	171,042	169,284
Goodwill	72,334	72,334
Premises and equipment, net	54,654	55,278
Other real estate owned	19,185	34,636
Accrued interest receivable	18,210	18,335
Mortgage loan servicing rights	8,632	9,013
Other	151,939	147,166
Total assets	\$7,013,272	\$6,638,347
Liabilities and Shareholders' Equity:		
Deposits:		
Noninterest bearing	\$ 1,175,991	\$ 1,193,553
Interest bearing	3,953,013	3,596,441
Total deposits	5,129,004	4,789,994
Short-term borrowings	268,718	242,029
Long-term debt	788,685	810,541
Subordinated debentures and notes	80,250	80,250
Accrued interest payable	2,804	2,901
Other	55,795	60,885
Total liabilities	\$6,325,256	\$5,986,600
Shareholders' equity:		
Preferred shares (200,000 shares authorized; 0 shares issued)	\$—	\$—
Common shares (No par value; 20,000,000 shares authorized; 16,150,902 shares issued at September 30, 2014 and 16,150,941 shares issued at December 31, 2013)	303,003	302,651
Retained earnings	476,930	460,643
Treasury shares (758,489 shares at September 30, 2014 and 738,989 at December 31, 2013)	(77,613	) (76,128

Edgar Filing: PARK NATIONAL CORP /OH/ - Form 10-Q

Accumulated other comprehensive loss, net of taxes	(14,304	) (35,419)
Total shareholders' equity	688,016	651,747	
Total liabilities and shareholders' equity	\$7,013,272	\$6,638,347	

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

3

Table of Contents

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,	
	2014	2013	2014	2013
Interest and dividend income:				
Interest and fees on loans	\$57,492	\$56,337	\$169,249	\$168,500
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	9,011	8,880	27,758	27,795
Obligations of states and political subdivisions	—	7	3	40
Other interest income	119	186	317	546
Total interest and dividend income	66,622	65,410	197,327	196,881
Interest expense:				
Interest on deposits:				
Demand and savings deposits	440	422	1,232	1,391
Time deposits	2,136	2,729	6,547	8,719
Interest on borrowings:				
Short-term borrowings	130	132	382	410
Long-term debt	7,207	7,167	21,416	21,236
Total interest expense	9,913	10,450	29,577	31,756
Net interest income	56,709	54,960	167,750	165,125
Provision for loan losses	4,501	2,498	1,016	3,500
Net interest income after provision for loan losses	52,208	52,462	166,734	161,625
Other income:				
Income from fiduciary activities	4,734	4,139	14,100	12,543
Service charges on deposit accounts	4,171	4,255	11,772	12,147
Other service income	2,450	3,391	6,895	10,728
Checkcard fee income	3,431	3,326	10,137	9,625
Bank owned life insurance income	1,420	1,311	3,708	3,767
OREO valuation adjustments	(935	) (2,030	) (2,026	) (2,229
Gain on sale of OREO, net	2,149	895	5,458	2,752
Miscellaneous	1,976	2,109	5,671	6,166
Total other income	19,396	17,396	55,715	55,499

Table of Contents

PARK NATIONAL CORPORATION AND SUBSIDIARIES

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,	
	2014	2013	2014	2013
Other expense:				
Salaries and employee benefits	\$26,243	\$25,871	\$77,443	\$75,183
Occupancy expense	2,339	2,348	7,628	7,389
Furniture and equipment expense	2,870	2,639	8,862	8,227
Data processing fees	1,281	1,042	3,516	3,110
Professional fees and services	6,934	5,601	21,385	17,345
Marketing	1,087	863	3,211	2,664
Insurance	1,396	1,174	4,310	3,814
Communication	1,304	1,268	3,940	4,301
State tax (benefit) expense	(350	) 929	1,550	2,785
OREO expense	244	687	1,829	2,168
Miscellaneous	3,555	2,293	9,123	10,397
Total other expense	46,903	44,715	142,797	137,383
Income before income taxes	24,701	25,143	79,652	79,741
Federal income taxes	6,398	6,114	19,903	19,968
Net income	\$18,303	\$19,029	\$59,749	\$59,773
Earnings per Common Share:				
Basic	\$1.19	\$1.23	\$3.88	\$3.88
Diluted	\$1.19	\$1.23	\$3.88	\$3.88
Weighted average common shares outstanding				
Basic	15,392,421	15,411,972	15,395,320	15,411,981
Diluted	15,413,664	15,411,972	15,413,625	15,411,981
Cash dividends declared	\$0.94	\$0.94	\$2.82	\$2.82

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Table of Contents

PARK NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$18,303	\$19,029	\$59,749	\$59,773
Other comprehensive income (loss), net of tax:				
Unrealized net holding (loss) gain on securities available-for-sale, net of income tax (benefit) of \$(1,564) and \$(5,931) for the three months ended September 30, 2014 and 2013, and \$11,369 and \$(18,270) for the nine months ended September 30, 2014 and 2013, respectively	(2,905)	(11,015)	21,115	(33,931)
Other comprehensive (loss) income	\$(2,905)	\$(11,015)	\$21,115	\$(33,931)
Comprehensive income	\$15,398	\$8,014	\$80,864	\$25,842

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Table of Contents

PARK NATIONAL CORPORATION AND SUBSIDIARIES

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

(in thousands, except per share data)

	Preferred Shares	Common Shares	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2013	\$—	\$302,654	\$441,605	\$(76,375)	\$(17,518)
Net Income			59,773		
Other comprehensive (loss), net of tax:					
Unrealized net holding loss on securities available-for-sale, net of income tax benefit of \$(18,270)					(33,931)
Cash dividends on common stock at \$2.82 per share			(43,461)		
Cash payment for fractional shares in dividend reinvestment plan		(2)			
Balance at September 30, 2013	\$—	\$302,652	\$457,917	\$(76,375)	\$(51,449)
Balance at January 1, 2014	\$—	\$302,651	\$460,643	\$(76,128)	\$(35,419)
Net Income			59,749		
Other comprehensive income, net of tax:					
Unrealized net holding gain on securities available-for-sale, net of income tax expense of \$11,369					21,115
Cash dividends on common shares at \$2.82 per share			(43,462)		
Cash payment for fractional shares in dividend reinvestment plan		(3)			
Share-based compensation expense		355			
Repurchase of treasury shares				(1,485)	
Balance at September 30, 2014	\$—	\$303,003	\$476,930	\$(77,613)	\$(14,304)

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Table of Contents

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

	Nine Months Ended September 30,	
	2014	2013
Operating activities:		
Net income	\$59,749	\$59,773
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,016	3,500
Other than temporary impairment on investment securities	—	17
Amortization of loan fees and costs, net	2,815	2,547
Depreciation	5,489	5,366
Amortization of core deposit intangibles	—	337
(Accretion)/amortization of investment securities, net	(129	) 11
Amortization of prepayment penalty on long-term debt	3,681	3,618
Realized net investment security gains	(20) —
Loan originations to be sold in secondary market	(96,384	) (283,919)
Proceeds from sale of loans in secondary market	93,335	308,087
Gain on sale of loans in secondary market	(1,906	) (4,996)
Share-based compensation expense	355	—
OREO valuation adjustments	2,026	2,229
Bank owned life insurance income	(3,708	) (3,767)
Changes in assets and liabilities:		
Decrease in other assets	1,732	17,763
Increase (decrease) in other liabilities	2,939	(1,944)
Net cash provided by operating activities	\$70,990	\$108,622
Investing activities:		
Proceeds from redemption of Federal Home Loan Bank stock	8,946	—
Proceeds from sales of:		
Available-for-sale securities	488	—
Proceeds from calls and maturities of:		
Available-for-sale securities	71,968	365,637
Held-to-maturity securities	31,712	207,393
Purchases of:		
Available-for-sale securities	(127,522	) (432,895)
Net increase in other investments	(1,350) —
Net loan originations, portfolio loans	(181,197	) (158,430)
Investments in qualified affordable housing projects	(8,184	) (8,023)
Purchases of bank owned life insurance, net	—	(4,600)
Purchases of premises and equipment, net	(4,865	) (7,731)
Net cash used in investing activities	\$(210,004	) \$(38,649)

Table of Contents

PARK NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows (Unaudited) (Continued)

(in thousands)

	Nine Months Ended September 30,	
	2014	2013
Financing activities:		
Net increase in deposits	\$339,010	\$134,660
Net increase (decrease) in short-term borrowings	26,689	(71,663)
Repayment of long-term debt	(75,537)	(25,940)
Proceeds from issuance of long-term debt	50,000	50,000
Repurchase of treasury shares	(1,485)	—
Cash dividends paid on common shares	(43,407)	(43,461)
Net cash provided by financing activities	\$295,270	\$43,596
Increase in cash and cash equivalents	156,256	113,569
Cash and cash equivalents at beginning of year	147,030	201,305
Cash and cash equivalents at end of period	\$303,286	\$314,874
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$29,674	\$32,019
Income taxes	\$18,620	\$12,000
Non cash items:		
Loans transferred to OREO	\$7,825	\$17,591
Transfers from loans to loans held for sale	\$21,985	\$—

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Table of Contents

PARK NATIONAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The accompanying unaudited consolidated condensed financial statements included in this report have been prepared for Park National Corporation (sometimes also referred to as the “Registrant”) and its subsidiaries. Unless the context otherwise requires, references to “Park”, the “Corporation” or the “Company” and similar terms mean Park National Corporation and its subsidiaries. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the interim periods included herein have been made. The results of operations for the three - month and nine - month periods ended September 30, 2014 are not necessarily indicative of the operating results to be anticipated for the fiscal year ending December 31, 2014.

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of the condensed balance sheets, condensed statements of income, condensed statements of comprehensive income, condensed statements of changes in shareholders’ equity and condensed statements of cash flows in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). These financial statements should be read in conjunction with the consolidated financial statements incorporated by reference in the Annual Report on Form 10-K of Park for the fiscal year ended December 31, 2013 from Park’s 2013 Annual Report to Shareholders (“2013 Annual Report”).

Park’s significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in Park’s 2013 Annual Report. For interim reporting purposes, Park follows the same basic accounting policies, as updated by the information contained in this report, and considers each interim period an integral part of an annual period. Management has evaluated events occurring subsequent to the balance sheet date, determining no events required additional disclosure in these consolidated condensed financial statements.

Note 2 – Recent Accounting Pronouncements

ASU 2013-11- Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists: The ASU requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, if a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance effective January 1, 2014 did not have an impact on Park's consolidated statements.

ASU 2014-01- Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force): In January 2014, FASB issued Accounting Standards Update 2014-01, Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force). The ASU permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional

amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. Additionally, a reporting entity should disclose information that enables users of its financial statement to understand the nature of its investments in qualified affordable housing projects, and the effect of the measurement of its investments in qualified affordable housing projects and the related tax credits on its financial position and results of operations. The new guidance is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The adoption of this guidance will not have a material impact on Park's consolidated financial statements, but may impact the presentation of Park's investments in qualified affordable housing projects. Additionally, the adoption of this guidance will require additional disclosures.

Table of Contents

ASU 2014-04 - Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force): In January 2014, FASB issued Accounting Standards Update 2014-04, Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force). The ASU clarifies when an in substance repossession or foreclosure occurs and a creditor is considered to have received physical possession of real estate property collateralizing a consumer mortgage loan. Specifically, the new ASU requires a creditor to reclassify a collateralized consumer mortgage loan to real estate property upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. Additional disclosures are required detailing the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgages collateralized by real estate property that are in the process of foreclosure. The new guidance is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The adoption of this guidance will not have a material impact on Park's consolidated financial statements, but will result in additional disclosures.

ASU 2014-09 - Revenue from Contracts with Customers (Topic 606): In May 2014, FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU creates a new topic, Topic 606, to provide guidance on revenue recognition for entities that enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures are required to provide quantitative and qualitative information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new guidance is effective for annual reporting periods, and interim reporting periods within those annual periods, beginning after December 15, 2016. Early adoption is not permitted. Management is currently evaluating the impact of the adoption of this guidance on Park's consolidated financial statements.

ASU 2014-11 - Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures: In June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The amendments in this ASU change the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The amendments also require two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The accounting changes are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The disclosure for certain transactions accounted for as a sale is required to be presented for interim and annual periods beginning after December 15, 2014, with all other disclosure requirements required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The adoption of this guidance will not have a material impact on Park's consolidated financial statements, but will result in additional disclosures.

Note 3 – Goodwill

The following table shows the activity in goodwill for the first nine months of 2014.

(in thousands)	Goodwill
December 31, 2013	\$72,334

Adjustments to goodwill
September 30, 2014

—
\$72,334

11

Table of Contents

Note 4 – Loans

The composition of the loan portfolio, by class of loan, as of September 30, 2014 and December 31, 2013 was as follows:

(In thousands)	September 30, 2014			December 31, 2013		
	Loan balance	Accrued interest receivable	Recorded investment	Loan balance	Accrued interest receivable	Recorded investment
Commercial, financial and agricultural *	\$809,550	\$3,144	\$812,694	\$825,432	\$3,079	\$828,511
Commercial real estate *	1,072,550	3,870	1,076,420	1,112,273	3,765	1,116,038
Construction real estate:						
SEPH commercial land and development *	2,228	3	2,231	5,846	2	5,848
Remaining commercial	128,395	360	128,755	110,842	263	111,105
Mortgage	32,134	83	32,217	31,882	96	31,978
Installment	7,629	24	7,653	7,546	26	7,572
Residential real estate:						
Commercial	409,017	1,017	410,034	407,387	904	408,291
Mortgage	1,175,069	1,726	1,176,795	1,143,088	1,559	1,144,647
HELOC	217,543	793	218,336	213,565	870	214,435
Installment	29,491	100	29,591	33,841	132	33,973
Consumer	883,648	2,767	886,415	723,733	2,775	726,508
Leases	3,179	56	3,235	3,404	23	3,427
Total loans	\$4,770,433	\$13,943	\$4,784,376	\$4,618,839	\$13,494	\$4,632,333

* Included within commercial, financial and agricultural loans, commercial real estate loans, and SEPH commercial land and development loans is an immaterial amount of consumer loans that are not broken out by class.

Table of Contents

The following table provides additional information regarding those nonaccrual and accruing troubled debt restructured loans that were individually evaluated for impairment and those collectively evaluated for impairment as of September 30, 2014 and December 31, 2013.

(In thousands)	September 30, 2014			December 31, 2013		
	Nonaccrual and accruing troubled debt restructurings	Loans individually evaluated for impairment	Loans collectively evaluated for impairment	Nonaccrual and accruing troubled debt restructurings	Loans individually evaluated for impairment	Loans collectively evaluated for impairment
Commercial, financial and agricultural	\$23,243	\$ 23,186	\$ 57	\$20,740	\$ 20,727	\$ 13
Commercial real estate	21,303	21,303	—	41,822	41,822	—
Construction real estate:						
SEPH commercial land and development	2,097	2,097	—	4,777	4,777	—
Remaining commercial	5,970	5,970	—	10,782	10,782	—
Mortgage	171	—	171	184	—	184
Installment	173	—	173	231	—	231
Residential real estate:						
Commercial	23,640	23,640	—	33,408	33,408	—
Mortgage	31,381	—	31,381	32,272	—	32,272
HELOC	2,497	—	2,497	2,880	—	2,880
Installment	2,707	—	2,707	1,850	—	1,850
Consumer	4,501	35	4,466	5,079	799	4,280
Total loans	\$117,683	\$ 76,231	\$ 41,452	\$154,025	\$ 112,315	\$ 41,710

All of the loans individually evaluated for impairment were evaluated using the fair value of the underlying collateral or the present value of expected future cash flows as the measurement method.

The following table presents loans individually evaluated for impairment by class of loan as of September 30, 2014 and December 31, 2013.

(In thousands)	September 30, 2014			December 31, 2013		
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:						
Commercial, financial and agricultural	\$28,139	\$ 19,850	\$—	\$22,429	\$ 12,885	\$—
Commercial real estate	35,478	20,198	—	56,870	34,149	—
Construction real estate:						
SEPH commercial land and development	14,933	2,097	—	23,722	4,777	—
Remaining commercial	1,542	466	—	8,429	6,872	—
Residential real estate:						
Commercial	25,980	23,127	—	36,709	31,461	—
Consumer	—	—	—	799	799	—

Edgar Filing: PARK NATIONAL CORP /OH/ - Form 10-Q

With an allowance recorded:

Commercial, financial and agricultural	7,504	3,336	1,652	12,616	7,842	3,268
Commercial real estate	1,122	1,105	252	7,966	7,673	5,496
Construction real estate:						
SEPH commercial land and development	—	—	—	—	—	—
Remaining commercial	5,504	5,504	1,951	3,909	3,910	1,132
Residential real estate:						
Commercial	536	513	230	2,129	1,947	555
Consumer	35	35	35	—	—	—
Total	\$120,773	\$76,231	\$4,120	\$175,578	\$112,315	\$10,451

Table of Contents

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. At September 30, 2014 and December 31, 2013, there were \$40.4 million and \$58.1 million, respectively, of partial charge-offs on loans individually evaluated for impairment with no related allowance recorded and \$4.2 million and \$5.2 million, respectively, of partial charge-offs on loans individually evaluated for impairment that also had a specific reserve allocated.

The allowance for loan losses included specific reserves related to loans individually evaluated for impairment at September 30, 2014 and December 31, 2013 of \$4.1 million and \$10.5 million, respectively. These loans with specific reserves had a recorded investment of \$10.5 million and \$21.4 million as of September 30, 2014 and December 31, 2013, respectively.

Interest income on loans individually evaluated for impairment is recognized on a cash basis only when Park expects to receive the entire recorded investment of the loan. The following table presents the average recorded investment and interest income recognized subsequent to impairment on loans individually evaluated for impairment as of and for the three and nine months ended September 30, 2014 and September 30, 2013:

(In thousands)	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Recorded investment as of September 30, 2014	Average recorded investment	Interest income recognized	Recorded investment as of September 30, 2013	Average recorded investment	Interest income recognized
Commercial, financial and agricultural	\$23,186	\$18,764	\$68	\$19,871	\$20,803	\$124
Commercial real estate	21,303	30,644	327	41,009	41,417	329
Construction real estate:						
SEPH commercial land and development	2,097	3,653	12	6,489	7,579	—
Remaining commercial	5,970	8,561	2	15,606	17,249	136
Residential real estate:						
Commercial	23,640	27,765	255	34,477	34,860	115
Consumer	35	68	—	799	799	—
Total	\$76,231	\$89,455	\$664	\$118,251	\$122,707	\$704

(In thousands)	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
	Recorded investment as of September 30, 2014	Average recorded investment	Interest income recognized	Recorded investment as of September 30, 2013	Average recorded investment	Interest income recognized
Commercial, financial and agricultural	\$23,186	\$19,362	\$204	\$19,871	\$21,182	