

PARK NATIONAL CORP /OH/
Form 10-Q
August 15, 2011

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, 2011

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
(State or other jurisdiction of
incorporation or organization)

31-1179518
(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

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 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

15,398,909 Common shares, no par value per share, outstanding at August 12, 2011.

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, 2011	December 31, 2010
Assets:		
Cash and due from banks	\$131,604	\$ 109,058
Money market instruments	85,512	24,722
Cash and cash equivalents	217,116	133,780
Investment securities		
Securities available-for-sale, at fair value (amortized cost of \$1,107,211 and \$1,274,258 at June 30, 2011 and December 31, 2010)	1,117,397	1,297,522
Securities held-to-maturity, at amortized cost (fair value of \$786,222 and \$686,114 at June 30, 2011 and December 31, 2010)	775,311	673,570
Other investment securities	68,158	68,699
Total investment securities	1,960,866	2,039,791
Loans		
Loans	4,710,513	4,732,685
Allowance for loan losses	(110,187)	(121,397)
Net loans	4,600,326	4,611,288
Bank owned life insurance	151,930	146,450
Goodwill and other intangible assets	77,039	78,377
Bank premises and equipment, net	69,830	69,567
Other real estate owned	47,997	44,325
Accrued interest receivable	22,624	24,137
Mortgage loan servicing rights	10,259	10,488
Other	170,699	140,174
Total assets	\$7,328,686	\$ 7,298,377
Liabilities and Stockholders' Equity:		
Deposits:		
Noninterest bearing	\$984,160	\$ 937,719
Interest bearing	4,273,357	4,157,701
Total deposits	5,257,517	5,095,420
Short-term borrowings	234,112	663,669
Long-term debt	821,202	636,733
Subordinated debentures and notes	75,250	75,250
Accrued interest payable	5,732	6,123
Other	187,113	75,358
Total liabilities	6,580,926	6,552,553

COMMITMENTS AND CONTINGENCIES

Stockholders' equity:

Preferred stock (200,000 shares authorized; 100,000 shares issued with \$1,000 per share liquidation preference)	97,718	97,290
Common stock (No par value; 20,000,000 shares authorized; 16,151,042 shares issued at June 30, 2011 and 16,151,062 shares issued at December 31, 2010)	301,203	301,204
Common stock warrants	4,406	4,473
Retained earnings	432,341	422,458
Treasury stock (752,129 shares at June 30, 2011 and 752,128 shares at December 31, 2010)	(77,733)	(77,733)
Accumulated other comprehensive (loss), net of taxes	(10,175)	(1,868)
Total stockholders' equity	747,760	745,824
Total liabilities and stockholders' equity	\$7,328,686	\$ 7,298,377

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

PARK NATIONAL CORPORATION

Consolidated Condensed Statements of Income (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest and dividend income:				
Interest and fees on loans	\$65,862	\$66,723	\$131,316	\$133,164
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	18,960	20,263	38,013	40,738
Obligations of states and political subdivisions	92	204	241	421
Other interest income	8	52	14	121
Total interest and dividend income	84,922	87,242	169,584	174,444
Interest expense:				
Interest on deposits:				
Demand and savings deposits	951	1,582	1,942	3,357
Time deposits	6,200	9,518	12,934	20,168
Interest on borrowings:				
Short-term borrowings	193	302	460	646
Long-term debt	7,556	7,119	14,913	14,172
Total interest expense	14,900	18,521	30,249	38,343
Net interest income	70,022	68,721	139,335	136,101
Provision for loan losses	23,900	13,250	37,400	29,800
Net interest income after provision for loan losses	46,122	55,471	101,935	106,301
Other income:				
Income from fiduciary activities	3,929	3,528	7,651	6,950
Service charges on deposit accounts	4,525	5,092	8,770	9,838
Other service income	2,734	3,476	5,035	6,458
Checkcard fee income	3,251	2,765	6,227	5,209
Bank owned life insurance income	1,228	1,254	2,457	2,470
ATM fees	682	832	1,336	1,597
OREO devaluations	(5,257)	(1,919)	(9,651)	(3,064)
Other	2,144	1,619	4,582	3,899

Total other income	13,236	16,647	26,407	33,357
Gain on sale of securities	15,362	3,515	21,997	11,819

Continued

PARK NATIONAL CORPORATION

Consolidated Condensed Statements of Income (Unaudited)

(Continued)

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Other expense:				
Salaries and employee benefits	\$25,253	\$24,013	\$50,317	\$49,184
Occupancy expense	2,764	2,793	5,764	5,910
Furniture and equipment expense	2,785	2,564	5,442	5,196
Data processing fees	1,135	1,394	2,388	2,987
Professional fees and services	5,320	5,299	10,194	10,155
Amortization of intangibles	669	842	1,338	1,778
Marketing	728	946	1,351	1,848
Insurance	2,345	2,333	4,614	4,531
Communication	1,485	1,647	3,041	3,416
State taxes	488	838	945	1,683
Other expense	4,035	4,332	7,959	8,203
Total other expense	47,007	47,001	93,353	94,891
Income before income taxes	27,713	28,632	56,986	56,586
Income taxes	7,396	7,466	15,291	14,641
Net income	\$20,317	\$21,166	\$41,695	\$41,945
Preferred stock dividends and accretion	1,464	1,451	2,928	2,903
Net income available to common shareholders	\$18,853	\$19,715	\$38,767	\$39,042
Per Common Share:				
Net income available to common shareholders				
Basic	\$1.22	\$1.30	\$2.52	\$2.60
Diluted	\$1.22	\$1.30	\$2.52	\$2.60
Weighted average common shares outstanding				
Basic	15,398,919	15,114,846	15,398,925	14,998,810
Diluted	15,399,593	15,114,846	15,401,506	14,998,810
Cash dividends declared	\$0.94	\$0.94	\$1.88	\$1.88

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

PARK NATIONAL CORPORATION

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

(in thousands, except per share data)

Six Months ended June 30, 2011 and 2010	Preferred Stock	Common Stock	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (loss)	Comprehensive Income (loss)
Balance at December 31, 2009	\$ 96,483	\$ 306,569	\$ 423,872	\$ (125,321)	\$ 15,661	
Net Income			41,945			\$ 41,945
Other comprehensive income (loss), net of tax:						
Unrealized net holding (loss) on cash flow hedge, net of income taxes of \$(113)					(211)	(211)
Unrealized net holding gain on securities available-for-sale, net of income taxes of \$231					429	429
Total comprehensive income						\$ 42,163
Cash dividends on common stock at \$1.88 per share			(28,285)			
Cash payment for fractional shares in dividend reinvestment plan		(2)				
Reissuance of common stock from treasury shares held for warrants issued		(600)	(7,393)	29,292		
Accretion of discount on preferred stock	403		(403)			
Preferred stock dividends			(2,500)			
Balance at June 30, 2010	\$ 96,886	\$ 305,967	\$ 427,236	\$ (96,029)	\$ 15,879	
Balance at December 31, 2010	\$ 97,290	\$ 305,677	\$ 422,458	\$ (77,733)	\$ (1,868)	
Net Income			41,695			\$ 41,695
Other comprehensive income (loss), net of tax:						
Unrealized net holding gain on cash flow hedge, net of income taxes of \$104					193	193
Unrealized net holding (loss) on securities available-for-sale, net of income taxes of \$(4,578)					(8,500)	(8,500)
Total comprehensive income						\$ 33,388
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 cancelled		(67)	67			

Accretion of discount on preferred stock	428		(428)		
Preferred stock dividends			(2,500)		
Balance at June 30, 2011	\$ 97,718	\$ 305,609	\$ 432,341	\$ (77,733)	\$ (10,175)

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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

	Six Months Ended June 30,	
	2011	2010
Operating activities:		
Net income	\$41,695	\$41,945
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, accretion and amortization	5,600	4,524
Provision for loan losses	37,400	29,800
Other-than-temporary impairment on investment securities	-	-
Amortization of core deposit intangibles	1,338	1,778
Realized net investment security gains	(21,997)	(11,819)
OREO devaluations	9,651	3,064
Changes in assets and liabilities:		
(Increase) in other assets	(43,293)	(18,549)
(Decrease) in other liabilities	(1,666)	(1,757)
Net cash provided by operating activities	\$28,728	\$48,986
Investing activities:		
Proceeds from sales of available-for-sale securities	\$319,504	\$344,325
Proceeds from sales of Federal Home Loan Bank stock	541	-
Proceeds from maturity of:		
Available-for-sale securities	199,940	817,993
Held-to-maturity securities	87,434	42,379
Purchases of:		
Available-for-sale securities	(330,839)	(1,086,068)
Held-to-maturity securities	(75,951)	(2,205)
Net (increase) in loans	(24,523)	(41,273)
Purchases of bank owned life insurance, net	(3,000)	(4,562)
Purchases of premises and equipment, net	(4,055)	(3,294)
Net cash provided by investing activities	\$169,051	\$67,295

Continued

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

	Six Months Ended June 30,	
	2011	2010
Financing activities:		
Net increase (decrease) in deposits	\$ 162,097	\$(19,238)
Net (decrease) in short-term borrowings	(429,557)	(43,462)
Proceeds from issuance of long-term debt	200,000	-
Repayment of long-term debt	(15,531)	(1,640)
Cash payment for fractional shares in dividend reinvestment plan	(1)	(2)
Proceeds from reissuance of common stock from treasury shares held	-	21,299
Cash dividends paid on common and preferred stock	(31,451)	(30,784)
Net cash (used in) financing activities	\$(114,443)	\$(73,827)
Increase in cash and cash equivalents	83,336	42,454
Cash and cash equivalents at beginning of year	133,780	159,091
Cash and cash equivalents at end of period	\$217,116	\$201,545
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	\$30,640	\$40,116
Income taxes	\$13,700	\$12,000
Non cash activities:		
Securities acquired through payable	\$113,223	\$85,980

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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 (the “Registrant”, “Corporation”, “Company”, or “Park”) and its subsidiaries. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of results of operations for the interim periods included herein have been made. The results of operations for the three and six month periods ended June 30, 2011 are not necessarily indicative of the operating results to be anticipated for the fiscal year ending December 31, 2011.

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 changes in stockholders’ equity and condensed statements of cash flows in conformity with U.S. generally accepted accounting principles (“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, 2010 from Park’s 2010 Annual Report to Shareholders (“2010 Annual Report”).

Park’s significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in Park’s 2010 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 require additional disclosure in these consolidated condensed financial statements.

Note 2 – Recent Accounting Pronouncements

Adoption of New Accounting Pronouncements:

Improving Disclosures About Fair Value Measurements: In January 2010, the FASB issued an amendment to Fair Value Measurements and Disclosures, Topic 820, Improving Disclosures About Fair Value Measurements. This amendment requires new disclosures regarding significant transfers in and out of Level 1 and 2 fair value measurements and the reasons for the transfers. This amendment also requires that a reporting entity present separately information about purchases, sales, issuances and settlements, on a gross basis rather than a net basis for activity in Level 3 fair value measurements using significant unobservable inputs. This amendment also clarifies existing disclosures on the level of disaggregation, in that the reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities, and that a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and 3. The new disclosures and clarifications of existing disclosures for ASC 820 are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of ASC 820 did not have a material effect on the Company’s consolidated financial statements.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses: In July 2010, FASB issued Accounting Standards Update 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), to address concerns about the sufficiency, transparency, and

robustness of credit risk disclosures for finance receivables and the related allowance for credit losses. This ASU requires new and enhanced disclosures at disaggregated levels, specifically defined as “portfolio segments” and “classes”. Among other things, the expanded disclosures include roll-forward schedules of the allowance for credit losses and information regarding the credit quality of receivables as of the end of a reporting period. New and enhanced disclosures are required for interim and annual periods ending after December 15, 2010, although the disclosures of reporting period activity are required for interim and annual periods beginning after December 15, 2010. The adoption of the new guidance impacted interim and annual disclosures included in the Company’s consolidated financial statements.

No. 2011-01 - Receivables (Topic 310) Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20: In January 2011, FASB issued Accounting Standards Update 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 (ASU 2011-01). ASU 2011-01 was issued as a result of concerns raised from stakeholders that the introduction of new disclosure requirements (paragraphs 310-10-50-31 through 50-34 of the FASB Accounting Standards Codification) about troubled debt restructurings in one reporting period followed by a change in what constitutes a troubled debt restructuring shortly thereafter would be burdensome for preparers and may not provide financial statement users with useful information.

No. 2011-02 – Receivables (Topic 310) A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring: In April 2011, FASB issued Accounting Standards Update 2011-02, A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring (ASU 2011-02). The ASU provides additional guidance to creditors for evaluating whether a modification or restructuring of a receivable is a troubled debt restructuring (“TDR”). The new guidance requires creditors to evaluate modifications and restructurings of receivables using a more principles-based approach, which may result in more modifications and restructurings being considered TDRs. Additionally, creditors will be required to provide additional disclosures about their TDR activities in accordance with the requirements of ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which was deferred by ASU 2011-01 Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 (ASU 2011-01). The new guidance will be effective for the first interim or annual period beginning on or after June 15, 2011, with retrospective application required to the beginning of the annual period of adoption. Disclosures requirements will be effective for the first interim and annual period beginning on or after June 15, 2011. Management is currently working through the guidance to determine the impact, if any, to the consolidated financial statements.

No. 2011-04 – Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs: In May 2011, FASB issued Accounting Standards Update 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs (ASU 2011-04). The new guidance in this ASU results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Certain amendments clarify the FASB’s intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. These amendments also enhance disclosure requirements surrounding fair value measurement. Most significantly, an entity will be required to disclose additional information regarding Level 3 fair value measurements including quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements. The new guidance is effective for interim and annual periods beginning on or after December 15, 2011. Management is currently working through the guidance to determine the impact, if any, to the consolidated financial statements.

No 2011-05 – Presentation of Comprehensive Income: In June 2011, FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (ASU 2011-05). The ASU eliminates the option to report other comprehensive income and its components in the statement of changes in equity. An entity can elect to present the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income, when an item of other comprehensive income must be reclassified to net income, or how earnings per share is calculated or presented. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and must be applied retrospectively. The adoption of the new guidance will impact the presentation of the consolidated financial statements.

Note 3 – Goodwill and Intangible Assets

The following table shows the activity in goodwill and core deposit intangibles for the first six months of 2011.

(in thousands)	Goodwill	Core Deposit Intangibles	Total
December 31, 2010	\$ 72,334	\$ 6,043	\$ 78,377
Amortization	-	1,338	1,338
June 30, 2011	\$ 72,334	\$ 4,705	\$ 77,039

The core deposit intangibles are being amortized to expense principally on the straight-line method, over periods ranging from six to ten years. Management expects that the core deposit intangibles amortization expense will be approximately \$669,000 per quarter for the third and fourth quarters of 2011.

Core deposit intangibles amortization expense is projected to be as follows for the remainder of 2011 and for each of the following years:

(in thousands)	Annual Amortization
Remainder of 2011	\$ 1,338
2012	2,677
2013	690
Total	\$ 4,705

Note 4 – Loans

The composition of the loan portfolio, by class of loan, as of June 30, 2011 and December 31, 2010 was as follows:

(In thousands)	June 30, 2011			December 31, 2010		
	Loan balance	Accrued interest receivable	Recorded investment	Loan balance	Accrued interest receivable	Recorded investment
Commercial, financial and agricultural *	\$ 755,793	\$ 2,626	\$ 758,419	\$ 737,902	\$ 2,886	\$ 740,788
Commercial real estate *	1,257,292	4,775	1,262,067	1,226,616	4,804	1,231,420
Construction real estate:						
Vision commercial land and development *	111,054	235	111,289	171,334	282	171,616
Remaining commercial	181,422	453	181,875	195,693	622	196,315
Mortgage	21,367	69	21,436	26,326	95	26,421
Installment	16,489	74	16,563	13,127	54	13,181
Residential real estate						
Commercial	454,864	1,353	456,217	464,903	1,403	466,306
Mortgage	950,782	1,771	952,553	906,648	2,789	909,437
HELOC	254,860	967	255,827	260,463	1,014	261,477
Installment	53,062	219	53,281	60,195	255	60,450
Consumer	651,250	2,938	654,188	666,871	3,245	670,116

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Leases	2,278	34	2,312	2,607	56	2,663
Total loans	\$ 4,710,513	\$ 15,514	\$ 4,726,027	\$ 4,732,685	\$ 17,505	\$ 4,750,190

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

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The following tables present the recorded investment in nonaccrual, restructured, and loans past due 90 days or more and still accruing by class of loans as of June 30, 2011 and December 31, 2010:

(In thousands)	June 30, 2011			
	Nonaccrual loans	Restructured loans	Loans past due 90 days or more and accruing	Total nonperforming loans
Commercial, financial and agricultural	\$24,008	\$ -	\$ 25	\$ 24,033
Commercial real estate	47,243	-	-	47,243
Construction real estate:				
Vision commercial land and development	47,761	-	-	47,761
Remaining commercial	33,685	-	-	33,685
Mortgage	-	-	-	-
Installment	427	-	-	427
Residential real estate:				
Commercial	48,594	-	861	49,455
Mortgage	32,459	34	1,676	34,169
HELOC	1,418	-	-	1,418
Installment	1,169	-	1	1,170
Consumer	1,926	-	629	2,555
Leases	-	-	-	-
Total loans	\$238,690	\$ 34	\$ 3,192	\$ 241,916

(In thousands)	December 31, 2010			
	Nonaccrual loans	Restructured loans	Loans past due 90 days or more and accruing	Total nonperforming loans
Commercial, financial and agricultural	\$19,276	\$ -	\$ -	\$ 19,276
Commercial real estate	57,941	-	20	57,961
Construction real estate:				
Vision commercial land and development	87,424	-	-	87,424
Remaining commercial	27,080	-	-	27,080
Mortgage	354	-	-	354
Installment	417	-	13	430
Residential real estate:				
Commercial	60,227	-	-	60,227
Mortgage	32,479	-	2,175	34,654
HELOC	964	-	149	1,113
Installment	1,195	-	277	1,472
Consumer	1,911	-	1,059	2,970
Leases	-	-	-	-
Total loans	\$289,268	\$ -	\$ 3,693	\$ 292,961

The following table provides additional information regarding those nonaccrual loans that are individually evaluated for impairment and those collectively evaluated for impairment as of June 30, 2011 and December 31, 2010.

(In thousands)	June 30, 2011			December 31, 2010		
	Nonaccrual loans	Loans individually evaluated for impairment	Loans collectively evaluated for impairment	Nonaccrual loans	Loans individually evaluated for impairment	Loans collectively evaluated for impairment
Commercial, financial and agricultural	\$ 24,008	\$ 24,008	\$ -	\$ 19,276	\$ 19,205	\$ 71
Commercial real estate	47,243	47,243	-	57,941	57,930	11
Construction real estate:						
Vision commercial land and development	47,761	46,847	914	87,424	86,491	933
Remaining commercial	33,685	33,685	-	27,080	27,080	-
Mortgage	-	-	-	354	-	354
Installment	427	-	427	417	-	417
Residential real estate:						
Commercial	48,594	48,594	-	60,227	60,227	-
Mortgage	32,459	-	32,459	32,479	-	32,479
HELOC	1,418	-	1,418	964	-	964
Installment	1,169	-	1,169	1,195	-	1,195
Consumer	1,926	23	1,903	1,911	-	1,911
Leases	-	-	-	-	-	-
Total loans	\$ 238,690	\$ 200,400	\$ 38,290	\$ 289,268	\$ 250,933	\$ 38,335

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

The following table presents loans individually evaluated for impairment by class of loans as of June 30, 2011 and December 31, 2010.

	June 30, 2011			December 31, 2010		
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
(in thousands)						
With no related allowance recorded						
Commercial, financial and agricultural	\$ 15,463	\$ 12,271	\$ -	\$ 9,347	\$ 8,891	\$ -
Commercial real estate	44,827	31,624	-	24,052	19,697	-
Construction real estate:						
Vision commercial land and development	32,843	12,229	-	23,021	20,162	-
Remaining commercial	24,403	20,963	-	15,192	14,630	-
Residential real estate:						
Commercial	40,176	36,225	-	51,261	47,009	-
Consumer	-	-	-	-	-	-
With an allowance recorded						
Commercial, financial and agricultural	14,619	11,737	3,265	11,801	10,314	3,028
Commercial real estate	16,232	15,619	9,213	42,263	38,233	10,001
Construction real estate:						
Vision commercial land and development	63,696	34,618	11,763	92,122	66,329	23,585
Remaining commercial	21,918	12,722	3,586	20,676	12,450	2,802
Residential real estate:						
Commercial	14,890	12,369	4,960	14,799	13,218	4,043
Consumer	23	23	23	-	-	-
Total	\$ 289,090	\$ 200,400	\$ 32,810	\$ 304,534	\$ 250,933	\$ 43,459

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. At June 30, 2011 and December 31, 2010, there were \$44.4 million and \$12.5 million, respectively, of partial charge-offs on loans individually evaluated for impairment with no related allowance recorded and \$44.3 million and \$41.1 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 June 30, 2011 and December 31, 2010, of \$32.8 million and \$43.5 million, respectively, related to loans with a recorded investment of \$87.1 million and \$140.5 million.

The following table presents the average recorded investment and interest income recognized on loans individually evaluated for impairment for the three and six months ended June 30, 2011:

Three months ended June Six months ended June 30,

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	Recorded investment as of June 30, 2011	30, 2011		2011	
		Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
(in thousands)					
Commercial, financial and agricultural	\$ 24,008	\$20,688	\$41	\$20,203	\$106
Commercial real estate	47,243	51,359	54	53,619	124
Construction real estate:					
Vision commercial land and development	46,847	71,682	-	77,711	-
Remaining commercial	33,685	27,998	136	27,616	214
Residential real estate:					
Commercial	48,594	55,096	14	57,269	153
Consumer	23	5	1	12	1
Total	\$ 200,400	\$226,828	\$246	\$236,430	\$598

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The following tables present the aging of the recorded investment in past due loans as of June 30, 2011 and December 31, 2010 by class of loans.

	June 30, 2011				
	Accruing loans past due 30-89 days	Past due nonaccrual loans and loans past due 90 days or more and accruing*	Total past due	Total current	Total recorded investment
(In thousands)					
Commercial, financial and agricultural	\$ 6,007	\$ 21,096	\$ 27,103	\$ 731,316	\$ 758,419
Commercial real estate	3,106	36,369	39,475	1,222,592	1,262,067
Construction real estate:					
Vision commercial land and development	309	41,860	42,169	69,120	111,289
Remaining commercial	99	13,757	13,856	168,019	181,875
Mortgage	402	-	402	21,034	21,436
Installment	393	386	779	15,784	16,563
Residential real estate:					
Commercial	3,014	18,461	21,475	434,742	456,217
Mortgage	17,041	22,893	39,934	912,619	952,553
HELOC	770	664	1,434	254,393	255,827
Installment	1,120	781	1,901	51,380	53,281
Consumer	9,313	1,994	11,307	642,881	654,188
Leases	-	-	-	2,312	2,312
Total loans	\$ 41,574	\$ 158,261	\$ 199,835	\$ 4,526,192	\$ 4,726,027

* Includes \$3.2 million of loans past due 90 days or more and accruing.

	December 31, 2010				
	Accruing loans past due 30-89 days	Past due nonaccrual loans and loans past due 90 days or more and accruing*	Total past due	Total current	Total recorded investment
(In thousands)					
Commercial, financial and agricultural	\$ 2,247	\$ 15,622	\$ 17,869	\$ 722,919	\$ 740,788
Commercial real estate	9,521	53,269	62,790	1,168,630	1,231,420
Construction real estate:					
Vision commercial land and development	2,406	65,130	67,536	104,080	171,616
Remaining commercial	141	19,687	19,828	176,487	196,315
Mortgage	479	148	627	25,794	26,421
Installment	235	399	634	12,547	13,181
Residential real estate:					
Commercial	3,281	26,845	30,126	436,180	466,306

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Mortgage	17,460	24,422	41,882	867,555	909,437
HELOC	1,396	667	2,063	259,414	261,477
Installment	1,018	892	1,910	58,540	60,450
Consumer	11,204	2,465	13,669	656,447	670,116
Leases	5	-	5	2,658	2,663
Total loans	\$49,393	\$ 209,546	\$ 258,939	\$ 4,491,251	\$4,750,190

* Includes \$3.6 million of loans past due 90 days or more and accruing.

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Management's policy is to initially place all renegotiated loans (troubled debt restructurings) on nonaccrual status. At June 30, 2011 and December 31, 2010, there were \$72.6 million and \$80.7 million, respectively, of troubled debt restructurings included in nonaccrual loan totals. Many of these troubled debt restructurings are performing under the renegotiated terms. At June 30, 2011 and December 31, 2010, \$47.9 million and \$50.3 million of the total troubled debt restructurings were included within current loans above. Management will continue to review the renegotiated loans and may determine it appropriate to move certain of the loans back to accrual status in the future. At June 30, 2011 and December 31, 2010, Park had commitments to lend \$502,000 and \$434,000, respectively, of additional funds to borrowers whose terms had been modified in a troubled debt restructuring.

Management utilizes past due information as a credit quality indicator across the loan portfolio. The past due information is the primary credit quality indicator within the following classes of loans: (1) mortgage loans and installment loans in the construction real estate segment; (2) mortgage loans, HELOC and installment loans in the residential real estate segment; and (3) throughout the consumer loan segment. The primary credit indicator for commercial loans is based on an internal grading system that grades all commercial loans from 1 to 8. Credit grades are continuously monitored by the respective loan officer and adjustments are made when appropriate. A grade of 1 indicates little or no credit risk and a grade of 8 is considered a loss. Commercial loans with grades of 1 to 4 (pass-rated) are considered to be of acceptable credit risk. Commercial loans graded a 5 (special mention) are considered to be watch list credits and a higher loan loss reserve percentage is allocated to these loans. Loans classified as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or of the institution's credit position at some future date. Commercial loans graded 6 (substandard), also considered watch list credits, are considered to represent higher credit risk and, as a result, a higher loan loss reserve percentage is allocated to these loans. Loans classified as substandard loans are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Commercial loans that are graded a 7 (doubtful) are shown as nonperforming and Park generally charges these loans down to their fair value by taking a partial charge-off or recording a specific reserve. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Any commercial loan graded an 8 (loss) is completely charged-off. The tables below present the recorded investment by loan grade at June 30, 2011 and December 31, 2010 for all commercial loans.

June 30, 2011					
(in thousands)	5 Rated	6 Rated	Nonaccrual	Pass Rated	Recorded Investment
Commercial, financial and agricultural	\$18,067	\$12,540	\$24,008	\$703,804	\$758,419
Commercial real estate	57,223	26,431	47,243	1,131,170	1,262,067
Construction real estate:					
Vision commercial land and development	9,943	4,803	47,761	48,782	111,289
Remaining commercial	8,495	22,340	33,685	117,355	181,875
Residential real estate:					
Commercial	22,779	17,398	48,594	367,446	456,217
Leases	-	-	-	2,312	2,312
Total Commercial Loans	\$116,507	\$83,512	\$201,291	\$2,370,869	\$2,772,179
December 31, 2010					
(in thousands)	5 Rated	6 Rated	Nonaccrual	Pass Rated	Recorded Investment
Commercial, financial and agricultural	\$26,322	\$11,447	\$19,276	\$683,743	\$740,788
Commercial real estate	57,394	26,992	57,941	1,089,093	1,231,420
Construction real estate:					
Vision commercial land and development	10,220	7,941	87,424	66,031	171,616
Remaining commercial	14,021	39,062	27,080	116,152	196,315
Residential real estate:					
Commercial	29,206	18,117	60,227	358,756	466,306
Leases	-	-	-	2,663	2,663
Total Commercial Loans	\$137,163	\$103,559	\$251,948	\$2,316,438	\$2,809,108

Note 5 – Allowance for Loan Losses

The allowance for loan losses is that amount management believes is adequate to absorb probable incurred credit losses in the loan portfolio based on management's evaluation of various factors including overall growth in the loan portfolio, an analysis of individual loans, prior and current loss experience, and current economic conditions. A provision for loan losses is charged to operations based on management's periodic evaluation of these and other pertinent factors as discussed within Note 1 of Park's 2010 Annual Report.

The activity in the allowance for loan losses for the three and six months ended June 30, 2011 and June 30, 2010 is summarized. As noted below, management included a reallocation of the beginning allowance for credit losses balance, which primarily impacted the commercial loan segments of the loan portfolio. At December 31, 2010, management's allowance calculation was performed in the aggregate for all commercial loans and then allocated across each segment of the commercial loan portfolio on a pro rata basis. During the first quarter of 2011,

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management determined that it would be more appropriate to perform the allowance calculation at the segment level and has provided an adjusted beginning balance for the allowance for credit losses in the six months ended June 30, 2011 table below.

	Three months ended June 30, 2011						
	Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
(In thousands)							
Allowance for credit losses							
Beginning balance:	\$ 11,791	\$ 22,574	\$ 53,672	\$ 31,553	\$ 7,265	\$ 4	\$ 126,859
Charge-offs	5,030	6,565	23,679	4,789	1,942	-	42,005
Recoveries	327	22	117	390	577	-	1,433
Net Charge-offs	4,703	6,543	23,562	4,399	1,365	-	40,572
Provision	5,519	6,439	5,170	4,951	1,821	-	23,900
Ending balance	\$ 12,607	\$ 22,470	\$ 35,280	\$ 32,105	\$ 7,721	\$ 4	\$ 110,187

Six months ended June 30, 2011

	Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
(In thousands)							
Allowance for credit losses							