

PARK NATIONAL CORP /OH/
Form 8-K
July 28, 2014

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 28, 2014

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

Ohio (State or other jurisdiction of incorporation)	1-13006 (Commission File Number)	31-1179518 (IRS Employer Identification No.)
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50 North Third Street, P.O. Box 3500, Newark, Ohio (Address of principal executive offices)	43058-3500 (Zip Code)
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(740) 349-8451
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 - Results of Operations and Financial Condition.

On July 28, 2014, Park National Corporation (“Park”) issued a news release (the “Financial Results News Release”) announcing financial results for the three and six months ended June 30, 2014. A copy of this Financial Results News Release is included as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

Park's management uses certain non-GAAP (generally accepted accounting principles) financial measures to evaluate Park's performance. Specifically, management reviews return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share. Management has included in the Financial Results News Release information relating to the return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share for the three and six months ended June 30, 2014 and 2013. For purposes of calculating the return on average tangible common equity, a non-GAAP financial measure, net income available to common shareholders for each period is divided by average tangible common equity during the period. Average tangible common equity equals average shareholders' equity during the applicable period less average goodwill and other intangible assets during the applicable period. For the purpose of calculating the return on average tangible assets, a non-GAAP financial measure, net income available to common shareholders for each period is divided by average tangible assets during the period. Average tangible assets equals average assets during the applicable period less average goodwill and other intangible assets during the applicable period. For the purpose of calculating tangible common equity to tangible assets, a non-GAAP financial measure, tangible common equity is divided by tangible assets. Tangible common equity equals shareholders' equity less goodwill and intangible assets, in each case at period end. Tangible assets equals total assets less goodwill and intangible assets, in each case at period end. For the purpose of calculating tangible common book value per common share, a non-GAAP financial measure, tangible common equity is divided by common shares outstanding at period end. Management believes that the disclosure of return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share presents additional information to the reader of the consolidated financial statements, which, when read in conjunction with the consolidated financial statements prepared in accordance with GAAP, assists in analyzing Park's operating performance and ensures comparability of operating performance from period to period, and facilitates comparisons with the performance of Park's peer financial holding companies and bank holding companies, while eliminating certain non-operational effects of acquisitions. In the Financial Results News Release, Park has provided a reconciliation of average tangible common equity to average shareholders' equity, average tangible assets to average assets, tangible common equity to shareholders' equity and tangible assets to total assets solely for the purpose of complying with SEC Regulation G and not as an indication that return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share are substitutes for return on average equity, return on average assets, shareholders' equity to total assets and common book value per common share, respectively, as determined by GAAP.

Item 7.01 - Regulation FD Disclosure

Financial Results by segment

The table below reflects the net income (loss) by segment for the first and second quarters of 2014, for the first half of 2014, for the first half of 2013, and for the fiscal years ended December 31, 2013 and 2012. Park's segments include The Park National Bank ("PNB"), Guardian Financial Services Company ("GFSC"), SE Property Holdings, LLC ("SEPH") and "All Other" which primarily consists of Park as the "Parent Company."

Net income (loss) by segment

(In thousands)	Q2 2014	Q1 2014	Six months YTD 2014	Six months YTD 2013	2013	2012
PNB	\$22,189	\$19,607	\$41,796	\$40,262	\$75,594	\$87,106
GFSC	478	604	1,082	1,530	2,888	3,550
Park Parent Company	(1,245)	(904)	(2,149)	323	(1,397)	195
Ongoing operations	\$21,422	\$19,307	\$40,729	\$42,115	\$77,085	\$90,851
SEPH	405	312	717	(1,371)	142	(12,221)
Total Park	\$21,827	\$19,619	\$41,446	\$40,744	\$77,227	\$78,630
Preferred dividends and accretion	—	—	—	—	—	3,425
Net income available to common shareholders	\$21,827	\$19,619	\$41,446	\$40,744	\$77,227	\$75,205

The "Park Parent Company" above excludes the results for SEPH, an entity which is winding down commensurate with the disposition of its problem assets. Management considers the "Ongoing operations" results to be reflective of the business of Park and its subsidiaries on a going forward basis. The discussion below provides some additional information regarding the segments that make up the "Ongoing operations", followed by additional information on SEPH.

Vision Bank ("Vision") merged with and into SEPH, a non-bank subsidiary of Park, following the sale of the Vision business to Centennial Bank ("Centennial") on February 16, 2012. The results of Vision through February 16, 2012 are included in the SEPH results presented in the table above. The sale of the Vision business in the first quarter of 2012 resulted in a pre-tax gain of \$22.2 million (\$14.4 million after-tax), which is included in the fiscal year ended December 31, 2012 SEPH results presented in the table above. SEPH holds the remaining assets and liabilities retained by Vision subsequent to the sale. SEPH assets consist primarily of performing and nonperforming loans and other real estate owned ("OREO"). This segment represents a run-off portfolio of the legacy Vision assets.

The Park National Bank (PNB)

The table below reflects the results for PNB for the first and second quarters of 2014, for the first half of 2014, for the first half of 2013 and for the fiscal years ended December 31, 2013 and 2012.

(In thousands)	Q2 2014	Q1 2014	Six months YTD 2014	Six months YTD 2013	2013	2012
Net interest income	\$55,290	\$53,099	\$108,389	\$104,471	\$210,781	\$221,758
Provision for (recovery of) loan losses	1,683	(140)	1,543	5,252	14,039	16,678
Other income	18,909	15,703	34,612	36,408	70,841	70,739
Other expense	41,979	42,311	84,290	80,732	165,665	156,516
Income before income taxes	\$30,537	\$26,631	\$57,168	\$54,895	\$101,918	\$119,303
Federal income taxes	8,348	7,024	15,372	14,633	26,324	32,197
Net income	\$22,189	\$19,607	\$41,796	\$40,262	\$75,594	\$87,106

Other income for the three months ended June 30, 2014 of \$18.9 million represented an increase of \$3.2 million compared to other income for the three months ended March 31, 2014 of \$15.7 million. A portion of this increase, \$1.3 million, was related to OREO gains pertaining to a participation from SEPH. The balance of the increase, \$1.9 million, was related to increases across the other income categories at PNB.

The table below provides certain balance sheet information and financial ratios for PNB as of June 30, 2014, December 31, 2013 and June 30, 2013.

(In thousands)	June 30, 2014	December 31, 2013	June 30, 2013	% change from 12/31/13	% change from 6/30/13	
Loans	\$4,679,944	\$4,559,406	\$4,441,617	2.64	% 5.37	%
Allowance for loan losses	55,451	56,888	52,694	(2.53))% 5.23	%
Net loans	4,624,493	4,502,518	4,388,923	2.71	% 5.37	%
Investment securities	1,415,608	1,421,937	1,342,868	(0.45))% 5.42	%
Total assets	6,685,849	6,524,098	6,519,766	2.48	% 2.55	%
Average assets ⁽¹⁾	6,663,103	6,576,420	6,548,261	1.32	% 1.75	%
Return on average assets ⁽²⁾	1.26	% 1.15	% 1.24	%		