

PARK NATIONAL CORP /OH/
Form 10-Q
July 27, 2017

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, 2017

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a Emerging growth company
smaller reporting

company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes " No ý

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 15,297,080 Common shares, no par value per share, outstanding at July 26, 2017.

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)

	June 30, 2017	December 31, 2016
Assets:		
Cash and due from banks	\$ 128,420	\$ 122,811
Money market instruments	282,659	23,635
Cash and cash equivalents	411,079	146,446
Investment securities:		
Securities available-for-sale, at fair value (amortized cost of \$1,194,533 and \$1,262,761 at June 30, 2017 and December 31, 2016, respectively)	1,196,115	1,258,139
Securities held-to-maturity, at amortized cost (fair value of \$324,827 and \$256,672 at June 30, 2017 and December 31, 2016, respectively)	322,008	259,833
Other investment securities	61,811	61,811
Total investment securities	1,579,934	1,579,783
Loans		
Allowance for loan losses	(53,822)	(50,624)
Net loans	5,311,615	5,221,233
Bank owned life insurance	187,644	185,234
Prepaid assets	94,692	88,874
Goodwill	72,334	72,334
Premises and equipment, net	56,108	57,971
Affordable housing tax credit investments	56,219	52,947
Other real estate owned	14,881	13,926
Accrued interest receivable	19,274	18,822
Mortgage loan servicing rights	9,476	9,266
Other	18,836	20,750
Total assets	\$7,832,092	\$ 7,467,586
Liabilities and Shareholders' Equity:		
Deposits:		
Noninterest bearing	\$ 1,545,279	\$ 1,523,417
Interest bearing	4,416,297	3,998,539
Total deposits	5,961,576	5,521,956
Short-term borrowings	183,788	394,795
Long-term debt	847,388	694,281
Subordinated notes	15,000	45,000
Unfunded commitments in affordable housing tax credit investments	21,282	14,282
Accrued interest payable	2,394	2,151
Other	48,416	52,881
Total liabilities	\$7,079,844	\$ 6,725,346
Shareholders' equity:		
Preferred shares (200,000 shares authorized; 0 shares issued)	\$—	\$—
Common shares (No par value; 20,000,000 shares authorized; 16,150,788 shares issued at June 30, 2017 and 16,150,807 shares issued at December 31, 2016)	306,418	305,826

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Retained earnings	545,794	535,631
Treasury shares (853,708 shares at June 30, 2017 and 810,089 at December 31, 2016)	(86,252)	(81,472)
Accumulated other comprehensive loss, net of taxes	(13,712)	(17,745)
Total shareholders' equity	752,248	742,240
Total liabilities and shareholders' equity	\$7,832,092	\$7,467,586

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest and dividend income:				
Interest and fees on loans	\$61,222	\$58,401	\$121,130	\$118,453
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	6,892	7,770	14,030	16,379
Obligations of states and political subdivisions	1,664	591	3,124	964
Other interest income	698	249	947	523
Total interest and dividend income	70,476	67,011	139,231	136,319
Interest expense:				
Interest on deposits:				
Demand and savings deposits	2,291	933	3,905	1,757
Time deposits	2,457	2,389	4,618	4,776
Interest on borrowings:				
Short-term borrowings	184	82	419	246
Long-term debt	5,766	6,122	11,559	12,236
Total interest expense	10,698	9,526	20,501	19,015
Net interest income	59,778	57,485	118,730	117,304
Provision for loan losses	4,581	2,637	5,457	3,547
Net interest income after provision for loan losses	55,197	54,848	113,273	113,757
Other income:				
Income from fiduciary activities	6,025	5,438	11,539	10,551
Service charges on deposit accounts	3,156	3,575	6,295	6,998
Other service income	3,447	3,351	6,251	5,925
Checkcard fee income	4,040	3,868	7,801	7,400
Bank owned life insurance income	1,114	1,049	2,217	2,246
ATM fees	561	570	1,103	1,153
OREO valuation adjustments	(272)	(221)	(345)	(339)
Gain on sale of OREO, net	53	162	153	296
Miscellaneous	1,127	944	1,744	1,895
Total other income	19,251	18,736	36,758	36,125

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PARK NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Condensed Statements of Income (Unaudited) (Continued)

(in thousands, except share and per share data)

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Other expense:				
Salaries	\$23,001	\$21,256	\$45,718	\$42,810
Employee benefits	4,919	4,894	10,100	9,667
Occupancy expense	2,565	2,639	5,200	5,187
Furniture and equipment expense	3,640	3,416	7,258	6,859
Data processing fees	1,676	1,373	3,641	2,590
Professional fees and services	6,018	5,401	10,847	12,068
Marketing	1,084	1,073	2,140	2,184
Insurance	1,517	1,438	3,087	2,849
Communication	1,155	1,353	2,488	2,574
State tax expense	943	798	2,006	1,724
Miscellaneous	1,588	1,665	3,083	6,693
Total other expense	48,106	45,306	95,568	95,205
Income before income taxes	26,342	28,278	54,463	54,677
Federal income taxes	7,310			