

PARK NATIONAL CORP /OH/
Form 8-K
January 25, 2016

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) January 25, 2016

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 January 25, 2016, Park National Corporation (“Park”) issued a news release (the “Financial Results News Release”) announcing financial results for the three months and year ended December 31, 2015. A copy of the 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 equity, return on average tangible assets, tangible equity to tangible assets and tangible book value per share. Management has included in the Financial Results News Release information relating to the annualized return on average tangible equity, annualized return on average tangible assets, tangible equity to tangible assets and tangible book value per share for the three and twelve months ended December 31, 2015 and 2014. For purposes of calculating the annualized return on average tangible equity, a non-GAAP financial measure, net income for each period is divided by average tangible equity during the period. Average tangible equity equals average shareholders' equity during the applicable period less average goodwill during the applicable period. For the purpose of calculating the annualized return on average tangible assets, a non-GAAP financial measure, net income 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 during the applicable period. For the purpose of calculating tangible equity to tangible assets, a non-GAAP financial measure, tangible equity is divided by tangible assets. Tangible equity equals shareholders' equity less goodwill, in each case at period end. Tangible assets equals total assets less goodwill, in each case at period end. For the purpose of calculating tangible book value per share, a non-GAAP financial measure, tangible equity is divided by shares outstanding at period end. Management believes that the disclosure of return on average tangible equity, return on average tangible assets, tangible equity to tangible assets and tangible book value per 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, 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 equity to average shareholders' equity, average tangible assets to average assets, tangible 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 equity, return on average tangible assets, tangible equity to tangible assets and tangible book value per share are substitutes for return on average equity, return on average assets, shareholders' equity to total assets and book value per 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 each quarter of 2015 and for the fiscal years ended December 31, 2015, 2014, and 2013. 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)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015	2014	2013
PNB	\$23,146	\$20,707	\$21,333	\$19,159	\$84,345	\$82,907	\$75,236
GFSC	341	394	407	281	1,423	1,175	2,888
Parent Company	(2,895)	(685)	(275)	(694)	(4,549)	(5,050)	(1,397)
Ongoing operations	\$20,592	\$20,416	\$21,465	\$18,746	\$81,219	\$79,032	\$76,727
SEPH	297	(376)	(426)	298	(207)	4,925	142
Total Park	\$20,889	\$20,040	\$21,039	\$19,044	\$81,012	\$83,957	\$76,869

The category "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, which exclude the results of SEPH, 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 regarding SEPH.

The Park National Bank (PNB)

The table below reflects PNB's net income for each quarter of 2015 and for the fiscal years ended December 31, 2015, 2014, and 2013.

(In thousands)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015	2014	2013
Net interest income	\$56,320	\$55,972	\$54,766	\$53,821	\$220,879	\$218,641	\$210,781
Provision for loan losses	336	2,587	2,720	2,022	7,665	3,517	14,039
Other income	18,757	19,699	18,720	18,012	75,188	69,384	70,841
Other expense	42,814	43,144	39,586	41,932	167,476	163,641	158,651
Income before income taxes	\$31,927	\$29,940	\$31,180	\$27,879	\$120,926	\$120,867	\$108,932
Federal income taxes	8,781	9,233	9,847	8,720	36,581	37,960	33,696
Net income	\$23,146	\$20,707	\$21,333	\$19,159	\$84,345	\$82,907	\$75,236

Net interest income of \$220.9 million for the fiscal year ended December 31, 2015 represented a \$2.3 million or 1.0% increase, compared to \$218.6 million for the fiscal year ended December 31, 2014. The increase was due to a \$206 million increase in average loans, offset by a 13 basis point decline in the yield on loans.

The provision for loan losses of \$7.7 million for the fiscal year ended December 31, 2015 represented an increase of \$4.2 million, compared to \$3.5 million for the fiscal year ended December 31, 2014. The increase was primarily due to an increase in loan balances and a small increase in specific reserves. Refer to the "Credit Metrics and Provision for (Recovery of) Loan Losses" section for additional details regarding the level of the provision for loan losses recognized in each period presented.

Other income of \$75.2 million for the fiscal year ended December 31, 2015 represented a \$5.8 million or 8.4% increase, compared to \$69.4 million for the fiscal year ended December 31, 2014. The \$5.8 million increase was primarily related to income of \$1.3 million related to proceeds from the death benefits paid from bank owned life insurance policies, a \$992,000 increase in check card income, a \$2.0 million increase in other service income

primarily related to mortgage loan originations, and a \$1.0 million increase in income from fiduciary activities.

Other expense of \$167.5 million for the fiscal year ended December 31, 2015 represented an increase of \$3.9 million or 2.3%, compared to \$163.6 million for the fiscal year ended December 31, 2014. The \$3.9 million increase was primarily related to an increase of \$4.7 million related to salaries expense as well as a contract termination fee and a borrowing prepayment penalty

that together resulted in aggregate additional expense of \$1.1 million, offset by a \$1.5 million decrease in contributions and a \$964,000 decrease in fees and services.

PNB results for the fiscal years ended December 31, 2015, 2014, and 2013 included income and expense related to participations in legacy Vision Bank ("Vision") assets. The impact of these participations on particular items within PNB's income and expense is detailed in the table below:

(In thousands)	2015			2014			2013		
	PNB as reported	Adjustments	PNB as adjusted ⁽¹⁾	PNB as reported	Adjustments ⁽¹⁾	PNB as adjusted	PNB as reported	Adjustments	PNB as adjusted ⁽¹⁾
Net interest income	\$220,879	\$ 241	\$220,638	\$218,641	\$ 309	\$218,332	\$210,781	\$ 171	\$210,610
Provision for (recovery of) loan losses	7,665	(1,453)	9,118	3,517	(6,198)	9,715	14,039	(584)	14,623
Other income	75,188	1,225	73,963	69,384	1,256	68,128	70,841	155	70,686
Other expense	167,476	700	166,776	163,641	2,032	161,609	158,651	1,600	157,051
Income (loss) before income taxes	\$120,926								