PARK NATIONAL CORP /OH/
Form 10-Q/A
February 28, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 2

x 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	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 x 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 x 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	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
(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 x

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

EXPLANATORY NOTE

Park National Corporation ("Park") is filing this Form 10-Q/A (Amendment No. 2) (this "Form 10-Q/A for June 30, 2011") with respect to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, as originally filed with the Securities and Exchange Commission (the "SEC") on August 15, 2011 (the "Original June 30, 2011 Form 10-Q"), in order to amend Part I – Items 1, 2 and 4, and Part II – Items 1A and 6. This Form 10-Q/A for June 30, 2011 is being filed to amend and restate our unaudited consolidated condensed financial statements as of and for the three and six month periods ended June 30, 2011 included in "Item 1 – Financial Statements" of Part I and related disclosures in "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part I to make the corrections identified below.

This Form 10-Q/A for June 30, 2011 is being filed to reflect the impact on the consolidated financial information as of and for the three and six month periods ended June 30, 2011 of the restatement of Park's audited consolidated financial statements as of and for the year ended December 31, 2010. This Form 10-Q/A for June 30, 2011 should be read in conjunction with and follows the filing by Park of Form 10-K/A (Amendment No. 2) for the fiscal year ended December 31, 2010, which was filed on February 28, 2012. The restatement of consolidated financial information as of and for the three and six month periods ended June 30, 2011 results in the following corrections:

Impact on Items Reported in Consolidated Condensed Statements of Income (Unaudited):

- The provision for loan losses decreased by $11.4 million to $12.5 million, compared to $23.9 million as originally reported for the three months ended June 30, 2011 (the "second quarter"). The provision for loan losses decreased by $10.8 million to $26.6 million, compared to $37.4 million as originally reported for the six months ended June 30, 2011.
- Net interest income after provision for loan losses increased by $11.4 million to $57.5 million, compared to $46.1 million as originally reported for the second quarter. Net interest income after provision for loan losses increased by $10.8 million to $112.7 million, compared to $101.9 million as originally reported for the six months ended June 30, 2011.
- Other real estate owned ("OREO") devaluations decreased by $1.9 million to $3.4 million, compared to $5.3 million as originally reported for the second quarter. OREO devaluations decreased by $3.8 million to $5.9 million, compared to $9.7 as originally reported for the six months ended June 30, 2011.
- Total other income increased by $1.9 million to $15.1 million, compared to $13.2 million as originally reported for the second quarter. Total other income increased by $3.8 million to $30.2 million, compared to $26.4 million as originally reported for the six months ended June 30, 2011.
- Income before income taxes increased by $13.3 million to $41.0 million, compared to $27.7 million as originally reported for the second quarter. Income before income taxes increased by $14.5 million to $71.5 million, compared to $57.0 million as originally reported for the six months ended June 30, 2011.
- Income taxes increased by $4.6 million to $12.0 million, compared to $7.4 million as originally reported for the second quarter. Income taxes increased by $5.1 million to $20.4 million, compared to $15.3 million as originally reported for the six months ended June 30, 2011.
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Net income increased by $8.6 million to $29.0 million, compared to $20.3 million as originally reported for the second quarter. Net income increased by $9.5 million to $51.2 million, compared to $41.7 million as originally reported for the six months ended June 30, 2011.

- Net income available to common shareholders increased by $8.6 million to $27.5 million, compared to $18.9 million as originally reported for the second quarter. Net income available to common shareholders increased by $9.4 million to $48.2 million, compared to $38.8 million as originally reported for the six months ended June 30, 2011.
- Basic and diluted earnings per share increased by $0.57 to $1.79 per common share, compared to $1.22 per common share as originally reported for the second quarter. Diluted earnings per share increased by $0.61 to $3.13 per share, compared to $2.52 per common share as originally reported for the six months ended June 30, 2011.

Impact on Items Reported in Consolidated Condensed Balance Sheet (Unaudited):

- The allowance for loan losses increased by $10.0 million to $120.2 million, compared to $110.2 million as originally reported as of June 30, 2011.
- Loans, net of the allowance for loan losses decreased by $10.0 million to $4,590 million, compared to $4,600 million as originally reported as of June 30, 2011.
- OREO decreased by $263,000 to $47.7 million, compared to $48.0 million as originally reported as of June 30, 2011.
- Other assets increased by $3.6 million to $174.3 million, compared to $170.7 million as originally reported as of June 30, 2011. The only adjustment within other assets was to reflect the deferred tax asset impact of the restatement.
- Total assets decreased by $6.7 million to $7,322 million, compared to $7,329 million as originally reported as of June 30, 2011.
- Retained earnings decreased by $6.7 million to $425.7 million, compared to $432.3 million as originally reported as of June 30, 2011.
- Total stockholders' equity decreased by $6.7 million to $741.1 million, compared to $747.8 million as originally reported as of June 30, 2011.
- Total liabilities and stockholders' equity decreased by $6.7 million to $7,322 million, compared to $7,329 million as originally reported as of June 30, 2011.

For a more detailed description of the restatement of the consolidated condensed financial statements, see Note 1A, "Restatement of Financial Statements" in our Notes to Unaudited Consolidated Condensed Financial Statements.

Park has not modified or updated the information in the Original June 30, 2011 Form 10-Q, except as necessary to reflect the effects of the restated consolidated condensed financial statements which took into consideration subsequent additional information about conditions that existed at June 30, 2011. This Form 10-Q/A for June 30, 2011 continues to speak as of the dates described herein, and we have not updated the disclosures contained in the Original June 30, 2011 Form 10-Q to reflect any events that occurred subsequent to such dates except as necessitated by the restatement and to discuss a subsequent event in Note 19 - Sale of Vision Bank. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the filing of the Original June 30, 2011 Form 10-Q on August 15, 2011. With respect to management's discussion, within "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, of the projected results for the fiscal year ending December 31, 2011, we have removed the portion of the discussion related to items that would no longer be appropriate given the nature of the restatement of the consolidated financial information as of and for the quarterly period ended June 30, 2011 and the impact it had on certain line items in the Consolidated Condensed Statements of Income for the three and six month periods ended June 30, 2011, including the provision for loan losses. Accordingly, this Form 10-Q/A for June 30, 2011 should be read in conjunction with our subsequent filings with the SEC, as information in such filings may update or supersede certain information contained in this Form 10-Q/A for June 30, 2011.

Park has modified "Item 4 – Controls and Procedures" of Part I in order to reflect the reevaluation by Park's management of the effectiveness of the design and operation of Park's disclosure controls and procedures as of June 30, 2011 in connection with the restatement of the consolidated condensed financial statements as described in this Form 10-Q/A for June 30 , 2011.

Park has also modified the risk factor included in "Item 1A – Risk Factors" of Part II to include the restated financial information for Vision Bank where appropriate. The risk factor, including the corrected information, remains applicable as of the filing date of the Original June 30, 2011 Form 10-Q.

Park has updated the Computation of Ratio of Earnings to Fixed Charges and the Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends included as Exhibit 12 to this Form 10-Q/A for June 30, 2011, in order to reflect the corrected consolidated financial information. Additionally, updated certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been included as Exhibits 31.1 and 31.2 to this Form 10-Q/A for June 30, 2011, and updated certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 have been included as Exhibits 32.1 and 32.2 to this Form 10-Q/A for June 30, 2011, which have been reflected in "Item 6 – Exhibits" of Part II. Finally, Park has also included Exhibit 101, which provides certain financial information from Park's Form 10-Q/A for June 30, 2011 formatted in XBRL pursuant to Rule 405 of Regulation S-T.

For the convenience of the reader, this Form 10-Q/A for June 30, 2011 sets forth the disclosures to be included in the Form 10-Q for the quarterly period ended June 30, 2011 in their entirety, although Park is only amending and restating Items 1, 2 and 4 of Part I and Items 1A and 6 of Part II from the Original June 30, 2011 Form 10-Q as these are the only Items affected by the corrected consolidated financial information.

Subsequent Event - Sale of Vision Bank

On November 16, 2011, Park and Vision Bank entered into a Purchase and Assumption Agreement (the "Purchase Agreement") with Home BancShares, Inc. ("Home") and its wholly-owned subsidiary Centennial Bank, an Arkansas state-chartered bank ("Centennial"), to sell substantially all of the operating assets and liabilities associated with Vision to Centennial for a purchase price of $27.9 million.

On February 16, 2012, Park and Vision Bank completed the transaction contemplated by the previously announced Purchase Agreement. In accordance with the Agreement, Vision sold approximately $354 million in performing loans, approximately $520 million of deposits, fixed assets of approximately $12.5 million and other miscellaneous assets and liabilities for a purchase price of $27.9 million.

Immediately following the closing of the transactions contemplated by the Agreement, Vision surrendered its Florida banking charter to the Florida Office of Financial Regulation (the "OFR") and became a non-bank Florida corporation (the "Florida Corporation"). This Florida Corporation merged with and into a wholly-owned, non-bank subsidiary of Park, SE Property Holdings, LLC ("SE LLC"), with SE LLC being the surviving entity. Subsequent to the transactions contemplated by the Purchase Agreement, Vision will be left with approximately $22 million of performing loans and non-performing loans with a fair value of $88 million (both net of any necessary loan loss allowance that may have existed prior to the transactions). Park recognized a pre-tax gain, net of expenses directly related to the sale, of approximately $22 million.

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 **Restated**	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	4,710,513	4,732,685
Allowance for loan losses	(120,174)	(143,575)
Net loans	4,590,339	4,589,110
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	47,734	41,709
Accrued interest receivable	22,624	24,137
Mortgage loan servicing rights	10,259	10,488
Other	174,287	148,852
Total assets	$7,322,024	$ 7,282,261
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	425,679	406,342
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	741,098	729,708
Total liabilities and stockholders' equity	$7,322,024	$ 7,282,261

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
	Restated		**Restated**	
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	12,516	13,250	26,616	29,800
Net interest income after provision for loan losses	57,506	55,471	112,719	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	(3,355)	(1,919)	(5,890)	(3,064)
Other	2,144	1,619	4,582	3,899

Total other income	15,138	16,647	30,168	33,357
Gain on sale of securities	15,362	3,515	21,997	11,819

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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 **Restated**	2010	2011 **Restated**	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	**40,999**	28,632	**71,531**	56,586
Income taxes	12,046	7,466	20,382	14,641
Net income	$28,953	$21,166	$51,149	$41,945
Preferred stock dividends and accretion	1,464	1,451	2,928	2,903
Net income available to common shareholders	$27,489	$19,715	$48,221	$39,042
Per Common Share:				
Net income available to common shareholders				
Basic	$1.79	$1.30	$**3.13**	$2.60
Diluted	$1.79	$1.30	$**3.13**	$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

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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	$ 406,342	$ (77,733)	$ (1,868)	
Net Income (Restated)			**51,149**			$ **51,149**
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 (Restated)						$ **42,842**
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 (Restated)	$ 97,718	$ 305,609	$ 425,679	$ (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 **Restated**	2010
Operating activities:		
Net income	$51,149	$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	**26,616**	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	**5,890**	3,064
Changes in assets and liabilities:		
(Increase) in other assets	(38,202)	(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 audited consolidated financial statements included in the Annual Report on Form 10-K/A – Amendment No. 2 of Park for the fiscal year ended December 31, 2010 filed on February 28, 2012 (the “2010 Form 10-K/A”), which served to restate the audited consolidated financial statements which had been incorporated by reference in the Annual Report on Form 10-K of Park for the fiscal year ended December 31, 2010 filed on February 28, 2011, from Park’s 2010 Annual Report to Shareholders (the “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 Form 10-K/A. 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.

1A. RESTATEMENT OF FINANCIAL STATEMENTS

In a Current Report on Form 8-K filed on January 31, 2012 (the “January 31, 2012 Form 8-K”), Park announced that on January 27, 2012, management determined that (i) Park’s previously issued audited consolidated financial statements incorporated by reference in Park’s Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 28, 2011, and (ii) Park’s unaudited condensed consolidated financial statements included in Park’s Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011, June 30, 2011, and September 30, 2011, should be restated.

The accounting treatment giving rise to the restatement was the inclusion of estimated future cash flows supporting the allowance for loan losses related to certain impaired commercial loans. For the year ended December 31, 2010, as part of Park’s process to measure impairment on certain impaired commercial loans at Vision Bank, management had relied on expected future cash flows from guarantors, as to whom we were in litigation. Management determined that reliance on expected future cash flows, which may require protracted litigation to actually be received, is inappropriate given the difficulty in obtaining objective verifiable evidence supporting a conclusion as to the amount and timing of the expected cash flows. GAAP requires that our assumptions be "reasonable and supportable" and the facts and circumstances around the existence of protracted litigation make this assumption more difficult to support.

The restatement also reflects certain OREO devaluations and additional loan loss provisions that are not related to guarantor support. These expense items are related to valuation issues identified at December 31, 2010, where Vision Bank management utilized (i) the work of a third-party contractor, which was not a licensed appraiser, when calculating the fair value of collateral for certain impaired loans and the fair value of certain OREO held by Vision Bank, and management did not have sufficient documentation to support the estimates of this third-party contractor, and (ii) internal estimates of collateral value when calculating specific reserves for certain impaired loans when, at times, such internal estimates were outdated. The impact is to reverse provisions for loan losses and OREO devaluations originally recorded in 2011 and recognize these provisions for loan losses and OREO devaluations in the restated audited consolidated financial statements for the year ended December 31, 2010.

The tables below detail the restated financial statement line items and Park's regulatory capital ratios for the three and six months ended June 30, 2011.

Effect on Consolidated Condensed Balance Sheet

	June 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Allowance for loan losses	$110,187	$120,174	$9,987
Net loans	4,600,326	4,590,339	(9,987)
Other real estate owned	47,997	47,734	(263)
Other assets	170,699	174,287	3,588
Total assets	7,328,686	7,322,024	(6,662)
Retained earnings	432,341	425,679	(6,662)
Total stockholders' equity	747,760	741,098	(6,662)
Total liabilities and stockholders' equity	7,328,686	7,322,024	(6,662)

Effect on Consolidated Condensed Statements of Income

	Three months ended June 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Provision for loan losses	$23,900	$12,516	$(11,384)
Net interest income after provision for loan losses	46,122	57,506	11,384
OREO devaluations	(5,257)	(3,355)	1,902
Total other income	13,236	15,138	1,902
Income before income taxes	27,713	40,999	13,286
Income taxes	7,396	12,046	4,650
Net income	20,317	28,953	8,636

Net income available to common shareholders	18,853	27,489	8,636
Earnings per common share			
Basic	$1.22	$1.79	$0.57
Diluted	$1.22	$1.79	$0.57

Effect on Consolidated Condensed Statements of Income

	Six months ended June 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Provision for loan losses	$37,400	$26,616	$(10,784)
Net interest income after provision for loan losses	101,935	112,719	10,784
OREO devaluations	(9,651)	(5,890)	3,761
Total other income	26,407	30,168	3,761
Income before income taxes	56,986	71,531	14,545
Income taxes	15,291	20,382	5,091
Net income	41,695	51,149	9,454
Net income available to common shareholders	38,767	48,221	9,454
Earnings per common share			
Basic	$2.52	$3.13	$0.61
Diluted	$2.52	$3.13	$0.61

Effect on Consolidated Condensed Statements of Changes in Stockholders' Equity

	Six months ended June 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Retained earnings, December 31, 2010	$422,458	$406,342	$(16,116)
Net income	41,695	51,149	9,454
Total comprehensive income	33,388	42,842	9,454
Retained earnings, June 30, 2011	432,341	425,679	(6,662)

Effect on Consolidated Condensed Statements of Cash Flows

	Six months ended June 30, 2011		
	As Previously Reported	As Restated	Effect of Change
Net income	$41,695	$51,149	$9,454
Provision for loan losses	37,400	26,616	(10,784)
OREO devaluations	9,651	5,890	(3,761)
(Increase) in other assets	(43,293)	(38,202)	5,091

Effect on Park National Corporation's Capital Ratios

June 30, 2011

	As Previously Reported	As Restated	Effect of Change
Tier 1 Leverage Ratio	9.54 %	9.47 %	-0.07 %
Tier 1 Risk-based Capital Ratio	13.72 %	13.60 %	-0.12 %
Total Risk-based Capital Ratio	16.18 %	16.07 %	-0.11 %

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 FASBs 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.

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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:

	June 30, 2011			December 31, 2010		
	Loan balance	Accrued interest receivable	Recorded investment	Loan balance	Accrued interest receivable	Recorded investment
(In thousands)						
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

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.

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:

	June 30, 2011			
(In thousands)	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

	December 31, 2010			
(In thousands)	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.

	June 30, 2011			December 31, 2010		
(In thousands)	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	$14,086	$ 11,125	$ -	$9,347	$ 8,891	$ -
Commercial real estate	44,827	31,624	-	21,526	17,170	-
Construction real estate:						
Vision commercial land and development	23,627	8,723	-	11,206	7,847	-
Remaining commercial	24,403	20,963	-	12,305	11,743	-
Residential real estate:						
Commercial	38,326	35,283	-	46,344	43,031	-
Consumer	-	-	-	-	-	-
With an allowance recorded						
Commercial, financial and agricultural	15,996	12,883	7,367	11,801	10,314	3,028
Commercial real estate	16,232	15,619	10,050	44,789	40,760	12,652
Construction real estate:						
Vision commercial land and development	72,912	38,124	15,076	103,937	78,644	39,887
Remaining commercial	21,918	12,722	5,129	23,563	15,337	5,425
Residential real estate:						
Commercial	16,740	13,311	5,152	19,716	17,196	5,912
Consumer	23	23	23	-	-	-
Total	$289,090	$ 200,400	$ 42,797	$304,534	$ 250,933	$ 66,904

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 $37.6 million and $12.0 million, respectively, of partial charge-offs on loans individually evaluated for impairment with no related allowance recorded and $51.1 million and $41.6 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 $42.8 million and $66.9 million, respectively, related to loans with a recorded investment of $92.7 million and $162.3 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 30, 2011		Six months ended June 30, 2011	
	Recorded	Average	Interest	Average	Interest

(in thousands)	investment as of June 30, 2011	recorded investment	income recognized	recorded investment	income recognized
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

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				
(In thousands)	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
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				
(In thousands)	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
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

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.

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 the Notes to Consolidated Financial Statements included in “Item 8 - Financial Statements and Supplementary Data” of Part II of Park’s 2010 Form 10-K/A.

The activity in the allowance for loan losses for the three and six months ended June 30, 2011 and June 30, 2010 is summarized below.

(In thousands)	Three months ended June 30, 2011 (Restated) Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
Allowance for credit losses:							
Beginning balance	$11,791	$ 25,220	$ 71,835	$ 32,415	$ 7,265	$ 4	$148,530
Charge-offs	5,330	6,565	23,679	4,789	1,942	-	42,305
Recoveries	327	22	117	390	577	-	1,433
Net Charge-offs	5,003	6,543	23,562	4,399	1,365	-	40,872
Provision	9,921	4,630	(8,160)	4,281	1,844	-	12,516
Ending balance	$16,709	$ 23,307	$ 40,113	$ 32,297	$ 7,744	$ 4	$120,174

(In thousands)	Six months ended June 30, 2011 (Restated) Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
Allowance for credit losses:							
Beginning balance	$11,555	$ 24,369	$ 70,462	$ 30,259	$ 6,925	$ 5	$143,575
Charge-offs	7,171	8,350	27,099	7,276	3,915	-	53,811
Recoveries	896	824	213	891	967	3	3,794
Net Charge-offs	6,275	7,526	26,886	6,385	2,948	(3)	50,017
Provision	11,429	6,464	(3,463)	8,423	3,767	(4)	26,616
Ending balance	$16,709	$ 23,307	$ 40,113	$ 32,297	$ 7,744	$ 4	$120,174

The activity in the allowance for loan losses for the three and six months ended June 30, 2010 is summarized as follows:

(In thousands)	Three months ended June 30, 2010	Six months ended June 30, 2010
Allowance for credit losses		
Beginning balance:	$ 119,674	$ 116,717
Charge-offs	13,273	28,851
Recoveries	1,025	3,010
Net Charge-offs	12,248	25,841
Provision	13,250	29,800
Ending balance	$ 120,676	$ 120,676

The composition of the allowance for loan losses at June 30, 2011 and December 31, 2010 was as follows:

	June 30, 2011 (Restated)						
(In thousands)	Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
Allowance for loan losses:							
Ending allowance balance attributed to loans:							
Individually evaluated for impairment	7,367	$10,050	$ 20,205	$5,152	$23	$-	$42,797
Collectively evaluated for impairment	9,342	13,257	19,908	27,145	7,721	4	77,377
Total ending allowance balance	$16,709	$23,307	$ 40,113	$32,297	$7,744	$4	$120,174
Loan Balance:							
Loans individually evaluated for impairment	$24,008	$47,243	$ 80,532	$48,594	$23	$-	$200,400
Loans collectively evaluated for impairment	731,785	1,210,049	249,800	1,664,974	651,227	2,278	4,510,113
Total ending loan balance	$755,793	$1,257,292	$ 330,332	$1,713,568	$651,250	$2,278	$4,710,513
Allowance for loan losses as a percentage of loan balance:							
Loans individually evaluated for impairment	30.69 %	21.27 %	25.09 %	10.60 %	-	-	21.36 %
Loans collectively evaluated for impairment	1.28 %	1.10 %	7.97 %	1.63 %	1.19 %	0.18 %	1.72 %
Total ending loan balance	2.21 %	1.85 %	12.14 %	1.88 %	1.19 %	0.18 %	2.55 %
Recorded Investment:							
Loans individually evaluated for impairment	$24,008	$47,243	$ 80,532	$48,594	$23	$-	$200,400

Loans collectively evaluated for impairment	734,411	1,214,824	250,631	1,669,284	654,165	2,312	4,525,627
Total ending loan balance	$758,419	$1,262,067	$ 331,163	$1,717,878	$654,188	$2,312	$4,726,027

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(In thousands)	December 31, 2010 Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
Allowance for loan losses:							
Ending allowance balance attributed to loans							
Individually evaluated for impairment	$3,028	$12,652	$45,312	$5,912	$-	$-	$66,904
Collectively evaluated for impairment	8,527	11,717	25,150	24,347	6,925	5	76,671
Total ending allowance balance	$11,555	$24,369	$70,462	$30,259	$6,925	$5	$143,575
Loan Balance:							
Loans individually evaluated for impairment	$19,205	$57,930	$113,571	$60,227	$-	$-	$250,933
Loans collectively evaluated for impairment	718,697	1,168,686	292,909	1,631,982	666,871	2,607	4,481,752
Total ending loan balance	$737,902	$1,226,616	$406,480	$1,692,209	$666,871	$2,607	$4,732,685
Allowance for loan losses as a percentage of loan balance:							
Loans individually evaluated for impairment	15.77 %	21.84 %	39.90 %	9.82 %	-	-	26.66 %
Loans collectively evaluated for impairment	1.19 %	1.00 %	8.59 %	1.49 %	1.04 %	0.19 %	1.71 %
Total ending loan balance	1.57 %	1.99 %	17.33 %	1.79 %	1.04 %	0.19 %	3.03 %
Recorded Investment:							
Loans individually evaluated for impairment	$19,205	$57,930	$113,571	$60,227	$-	$-	$250,933
Loans collectively evaluated for	721,583	1,173,490	293,962	1,637,443	670,116	2,663	4,499,257

impairment							
Total ending loan balance	$740,788	$1,231,420	$407,533	$1,697,670	$670,116	$2,663	$4,750,190

Loans collectively evaluated for impairment above include all performing loans at June 30, 2011 and December 31, 2010, as well as nonperforming loans internally classified as consumer loans. Nonperforming consumer loans are not typically individually evaluated for impairment, but receive a portion of the statistical allocation of the allowance for loan losses. Loans individually evaluated for impairment include all impaired loans internally classified as commercial loans at June 30, 2011 and December 31, 2010, which are evaluated for impairment in accordance with GAAP (see Note 1 of the Notes to Consolidated Financial Statements included in "Item 8 - Financial Statements and Supplementary Data" of Part II of Park's 2010 Form 10-K/A).

Note 6 – Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2011 and 2010.

(in thousands, except share and per share data)	Three months ended June 30,		Six months ended June 30,	
	2011 Restated	2010	2011 Restated	2010
Numerator:				
Income available to common shareholders	$ 27,489	$ 19,715	$ 48,221	$ 39,042
Denominator:				
Denominator for basic earnings per share (weighted average common shares outstanding)	15,398,919	15,114,846	15,398,925	14,998,810
Effect of dilutive options and warrants	674	-	2,581	-
Denominator for diluted earnings per share (weighted average common shares outstanding adjusted for the effect of dilutive options and warrants)	15,399,593	15,114,846	15,401,506	14,998,810
Earnings per common share:				
Basic earnings per common share	$ 1.79	$ 1.30	$ 3.13	$ 2.60
Diluted earnings per common share	$ 1.79	$ 1.30	$ 3.13	$ 2.60

As of June 30, 2011 and 2010, options to purchase 75,545 and 82,700 common shares, respectively, were outstanding under the Park National Corporation 2005 Incentive Stock Option Plan (the "2005 Plan"). A warrant to purchase 227,376 common shares was outstanding at both June 30, 2011 and 2010 as a result of Park's participation in the U.S. Treasury's Capital Purchase Program (the "CPP"). Additionally, warrants to purchase an aggregate of 35,992 common shares (the "December 2010 Warrants") were outstanding at June 30, 2011 as a result of the issuance of common stock and warrants on December 10, 2010. Warrants to purchase an aggregate of 175,900 common shares (the "October 2009 Warrants") were outstanding at June 30, 2010 as a result of the issuance of common stock and warrants on October 30, 2009. All October 2009 Warrants were exercised or expired as of October 30, 2010 and thus had no impact on the periods ended June 30, 2011.

The common shares represented by the options and the December 2010 Warrants for the three and six months ended June 30, 2011, totaling a weighted average of 139,492 and 144,514, respectively, and the common shares represented by the options, the CPP warrant and the October 2009 warrants for the three and six months ended June 30, 2010, totaling a weighted average of 718,482 and 849,526, respectively, were not included in the computation of diluted earnings per common share because the respective exercise prices exceeded the market value of the underlying common shares such that their inclusion would have had an anti-dilutive effect. The warrant to purchase 227,376 common shares issued under the CPP was not included in the three month and six month weighted average of 139,492 and 144,514 at June 30, 2011, as the dilutive effect of this warrant was 674 and 2,581 shares of common stock for the three and six month periods ended June 30, 2011. The exercise price of the CPP warrant to purchase 227,376 common shares is $65.97.

Note 7 – Segment Information

The Corporation is a multi-bank holding company headquartered in Newark, Ohio. The operating segments for the Corporation are its two chartered bank subsidiaries, The Park National Bank (headquartered in Newark, Ohio) ("PNB") and Vision Bank (headquartered in Panama City, Florida) ("VB"). Management is required to disclose information about the different types of business activities in which a company engages and also information on the different economic environments in which a company operates, so that the users of the financial statements can better understand a company's performance, better understand the potential for future cash flows, and make more informed judgments about the company as a whole. Park has two operating segments, as: (i) there are two separate and distinct geographic markets in which Park operates, (ii) discrete financial information is available for each operating segment and (iii) the segments are aligned with internal reporting to Park's Chief Executive Officer, who is the chief operating decision maker.

Operating Results for the three months ended June 30, 2011

(in thousands)	PNB	VB Restated	All Other	Total Restated
Net interest income	$60,542	$7,000	$ 2,480	$70,022
Provision for loan losses	4,975	7,016	525	12,516
Other income (loss) and security gains	30,403	1,656	(1,559)	30,500
Other expense	36,315	8,174	2,518	47,007
Net income (loss)	34,250	(4,219)	(1,078)	28,953
Balance at June 30, 2011				
Assets	$6,565,419	$743,980	$ 12,625	$7,322,024

Operating Results for the three months ended June 30, 2010

(in thousands)	PNB	VB	All Other	Total
Net interest income	$ 59,612	$ 6,914	$ 2,195	$ 68,721
Provision for loan losses	3,800	8,900	550	13,250
Other income (loss) and security gains	20,840	(756)	78	20,162
Other expense	35,752	8,237	3,012	47,001
Net income (loss)	27,850	(6,756)	72	21,166
Balance at June 30, 2010				
Assets	$ 6,215,606	$ 863,315	$ 14,177	$ 7,093,098

Operating Results for the six months ended June 30, 2011

(in thousands)	PNB	VB Restated	All Other	Total Restated
Net interest income	$ 120,779	$ 13,755	$ 4,801	$ 139,335
Provision for loan losses	9,950	15,616	1,050	26,616
Other income (loss) and security gains	53,300	339	(1,474)	52,165
Other expense	72,636	15,599	5,118	93,353
Net income (loss)	63,279	(11,065)	(1,065)	51,149

Operating Results for the six months ended June 30, 2010

(in thousands)	PNB	VB	All Other	Total
Net interest income	$ 118,011	$ 13,805	$ 4,285	$ 136,101
Provision for loan losses	8,550	20,200	1,050	29,800
Other income (loss) and security gains	45,618	(605)	163	45,176
Other expense	72,554	16,091	6,246	94,891
Net income (loss)	56,185	(14,212)	(28)	41,945

The operating results of the Parent Company and Guardian Financial Services Company (GFC) in the “All Other” column are used to reconcile the segment totals to the consolidated condensed statements of income for the three and six month periods ended June 30, 2011 and 2010. The reconciling amounts for consolidated total assets for the periods ended June 30, 2011 and 2010, consist of the elimination of intersegment borrowings and the assets of the Parent Company and GFC which are not eliminated.

Note 8 – Stock Option Plan

Park did not grant any stock options during the six month periods ended June 30, 2011 and 2010. Additionally, no stock options vested during the first six months of 2011 or 2010.

The following table summarizes stock option activity during the first six months of 2011.

	Stock Options	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2010	78,075	$ 74.96
Granted	-	-

Exercised	-		-
Forfeited/Expired	2,530		74.96
Outstanding at June 30, 2011	75,545	$	74.96

All of the stock options outstanding at June 30, 2011 were exercisable. The aggregate intrinsic value of the outstanding stock options at June 30, 2011 was $0. In addition, no stock options were exercised during the first six months of 2011 or 2010. The weighted average contractual remaining term was 1.44 years for the stock options outstanding at June 30, 2011.

All of the common shares delivered upon exercise of incentive stock options granted under the Park National Corporation 2005 Incentive Stock Option Plan (the "2005 Plan") are to be treasury shares. At June 30, 2011, incentive stock options granted under the 2005 Plan covering 75,545 common shares were outstanding. At June 30, 2011, Park held 488,761 treasury shares that are available for the 2005 Plan.

Note 9 – Mortgage Loans Held For Sale

Mortgage loans held for sale are carried at their fair value. At June 30, 2011 and December 31, 2010 respectively, Park had approximately $7.5 million and $8.3 million in mortgage loans held for sale. These amounts are included in loans on the consolidated condensed balance sheets and in the residential real estate segments in Notes 4 and 5.

Note 10 – Investment Securities

The amortized cost and fair values of investment securities are shown in the following table. Management performs a quarterly evaluation of investment securities for any other-than-temporary impairment. For the three and six months ended June 30, 2011 and June 30, 2010, there were no investment securities deemed to be other-than-temporarily impaired.

Investment securities at June 30, 2011, were as follows:

(in thousands)

June 30, 2011 Securities Available-for-Sale	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Obligations of U.S. Treasury and other U.S. Government sponsored entities	$308,300	$ 1,754	$ 1,399	$ 308,655
Obligations of states and political subdivisions	4,996	113	-	5,109
U.S. Government sponsored entities asset-backed securities	792,977	12,374	3,427	801,924
Other equity securities	938	814	43	1,709
Total	$1,107,211	$ 15,055	$ 4,869	$ 1,117,397

June 30, 2011 Securities Held-to-Maturity	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Obligations of states and political subdivisions	$2,077	$ 5	$ -	$ 2,082
U.S. Government sponsored entities asset-backed securities	773,234	16,083	5,177	784,140
Total	$775,311	$ 16,088	$ 5,177	$ 786,222

Management does not believe any of the unrealized losses at June 30, 2011 or December 31, 2010, represents an other-than-temporary impairment. Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized within net income in the period the other-than-temporary impairment is identified.

Securities with unrealized losses at June 30, 2011, were as follows:

(in thousands)	Less than 12 months		12 months or longer		Total	
June 30, 2011 Securities Available-for-Sale	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Obligations of U.S. Treasury and other U.S. Government sponsored entities	$ 74,936	$ 1,399	$ -	$ -	$ 74,936	$ 1,399
U.S. Government sponsored entities asset-backed securities	407,954	3,427	-	-	407,954	3,427
Other equity securities	81	30	215	13	296	43
Total	$ 482,971	$ 4,856	$ 215	$ 13	$ 483,186	$ 4,869

June 30, 2011 Securities Held-to-Maturity	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government sponsored entities asset-backed securities	$ 312,382	$ 5,177	$ -	$ -	$ 312,382	$ 5,177

Investment securities at December 31, 2010, were as follows:

(in thousands)

December 31, 2010 Securities Available-for-Sale	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
Obligations of U.S. Treasury and other U.S. Government sponsored entities	$ 272,301	$ 2,968	$ 1,956	$273,313
Obligations of states and political subdivisions	10,815	281	52	11,044
U.S. Government sponsored entities asset-backed securities	990,204	30,633	9,425	1,011,412
Other equity securities	938	858	43	1,753
Total	$ 1,274,258	$ 34,740	$ 11,476	$1,297,522

December 31, 2010 Securities Held-to-Maturity	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
Obligations of states and political subdivisions	$ 3,167	$ 7	$ -	$3,174
U.S. Government sponsored entities asset-backed securities	670,403	17,157	4,620	682,940
Total	$ 673,570	$ 17,164	$ 4,620	$686,114

Securities with unrealized losses at December 31, 2010, were as follows:

(in thousands)	Less than 12 months		12 months or longer		Total	
December 31, 2010 Securities Available-for-Sale	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Obligations of U.S. Treasury and other U.S. Government sponsored entities	$ 74,379	$ 1,956	$ -	$ -	$ 74,379	$ 1,956

Obligations of states and political subdivisions	1,459	52			1,459	52
U.S. Government sponsored entities asset-backed securities	418,156	9,425	-	-	418,156	9,425
Other equity securities	74	29	221	14	295	43