PARK NATIONAL CORP /OH/
Form 10-Q
October 28, 2014

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 September 30, 2014

Commission File Number 1-13006

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

Ohio (State or other jurisdiction of incorporation or organization)	31-1179518 (I.R.S. Employer Identification No.)

50 North Third Street, Newark, Ohio 43055
(Address of principal executive offices) (Zip Code)

(740) 349-8451
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý 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 ý 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	ý	Accelerated filer	¨

Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a 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 ý

15,402,613 Common shares, no par value per share, outstanding at October 27, 2014.

PARK NATIONAL CORPORATION

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PARK NATIONAL CORPORATION AND SUBSIDARIES
Consolidated Condensed Balance Sheets (Unaudited)
(in thousands, except share and per share data)

	September 30, 2014	December 31, 2013
Assets:		
Cash and due from banks	$101,760	$129,078
Money market instruments	201,526	17,952
Cash and cash equivalents	303,286	147,030
Investment securities:		
Securities available-for-sale, at fair value (amortized cost of $1,277,358 and $1,222,143 at September 30, 2014 and December 31, 2013, respectively)	1,263,965	1,176,266
Securities held-to-maturity, at amortized cost (fair value of $152,986 and $187,402 at September 30, 2014 and December 31, 2013, respectively)	150,349	182,061
Other investment securities	58,311	65,907
Total investment securities	1,472,625	1,424,234
Loans held for sale	28,606	1,666
Loans	4,770,433	4,618,839
Allowance for loan losses	(57,674)	(59,468)
Net loans	4,712,759	4,559,371
Bank owned life insurance	171,042	169,284
Goodwill	72,334	72,334
Premises and equipment, net	54,654	55,278
Other real estate owned	19,185	34,636
Accrued interest receivable	18,210	18,335
Mortgage loan servicing rights	8,632	9,013
Other	151,939	147,166
Total assets	$7,013,272	$6,638,347
Liabilities and Shareholders' Equity:		
Deposits:		
Noninterest bearing	$1,175,991	$1,193,553
Interest bearing	3,953,013	3,596,441
Total deposits	5,129,004	4,789,994
Short-term borrowings	268,718	242,029
Long-term debt	788,685	810,541
Subordinated debentures and notes	80,250	80,250
Accrued interest payable	2,804	2,901
Other	55,795	60,885
Total liabilities	$6,325,256	$5,986,600
Shareholders' equity:		
Preferred shares (200,000 shares authorized; 0 shares issued)	$—	$—
Common shares (No par value; 20,000,000 shares authorized; 16,150,902 shares issued at September 30, 2014 and 16,150,941 shares issued at December 31, 2013)	303,003	302,651
Retained earnings	476,930	460,643
Treasury shares (758,489 shares at September 30, 2014 and 738,989 at December 31, 2013)	(77,613)	(76,128)

Accumulated other comprehensive loss, net of taxes	(14,304)	(35,419)
Total shareholders' equity	688,016	651,747
Total liabilities and shareholders’ equity	$7,013,272	$6,638,347

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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest and dividend income:				
Interest and fees on loans	$57,492	$56,337	$169,249	$168,500
Interest and dividends on:				
Obligations of U.S. Government, its agencies and other securities	9,011	8,880	27,758	27,795
Obligations of states and political subdivisions	—	7	3	40
Other interest income	119	186	317	546
Total interest and dividend income	66,622	65,410	197,327	196,881
Interest expense:				
Interest on deposits:				
Demand and savings deposits	440	422	1,232	1,391
Time deposits	2,136	2,729	6,547	8,719
Interest on borrowings:				
Short-term borrowings	130	132	382	410
Long-term debt	7,207	7,167	21,416	21,236
Total interest expense	9,913	10,450	29,577	31,756
Net interest income	56,709	54,960	167,750	165,125
Provision for loan losses	4,501	2,498	1,016	3,500
Net interest income after provision for loan losses	52,208	52,462	166,734	161,625
Other income:				
Income from fiduciary activities	4,734	4,139	14,100	12,543
Service charges on deposit accounts	4,171	4,255	11,772	12,147
Other service income	2,450	3,391	6,895	10,728
Checkcard fee income	3,431	3,326	10,137	9,625
Bank owned life insurance income	1,420	1,311	3,708	3,767
OREO valuation adjustments	(935)	(2,030)	(2,026)	(2,229)
Gain on sale of OREO, net	2,149	895	5,458	2,752
Miscellaneous	1,976	2,109	5,671	6,166
Total other income	19,396	17,396	55,715	55,499

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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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Other expense:				
Salaries and employee benefits	$26,243	$25,871	$77,443	$75,183
Occupancy expense	2,339	2,348	7,628	7,389
Furniture and equipment expense	2,870	2,639	8,862	8,227
Data processing fees	1,281	1,042	3,516	3,110
Professional fees and services	6,934	5,601	21,385	17,345
Marketing	1,087	863	3,211	2,664
Insurance	1,396	1,174	4,310	3,814
Communication	1,304	1,268	3,940	4,301
State tax (benefit) expense	(350)	929	1,550	2,785
OREO expense	244	687	1,829	2,168
Miscellaneous	3,555	2,293	9,123	10,397
Total other expense	46,903	44,715	142,797	137,383
Income before income taxes	24,701	25,143	79,652	79,741
Federal income taxes	6,398	6,114	19,903	19,968
Net income	$18,303	$19,029	$59,749	$59,773
Earnings per Common Share:				
Basic	$1.19	$1.23	$3.88	$3.88
Diluted	$1.19	$1.23	$3.88	$3.88
Weighted average common shares outstanding				
Basic	15,392,421	15,411,972	15,395,320	15,411,981
Diluted	15,413,664	15,411,972	15,413,625	15,411,981
Cash dividends declared	$0.94	$0.94	$2.82	$2.82

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	$18,303	$19,029	$59,749	$59,773
Other comprehensive income (loss), net of tax:				
Unrealized net holding (loss) gain on securities available-for-sale, net of income tax (benefit) of $(1,564) and $(5,931) for the three months ended September 30, 2014 and 2013, and $11,369 and $(18,270) for the nine months ended September 30, 2014 and 2013, respectively	(2,905)	(11,015)	21,115	(33,931)
Other comprehensive (loss) income	$(2,905)	$(11,015)	$21,115	$(33,931)
Comprehensive income	$15,398	$8,014	$80,864	$25,842

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements of Changes in Shareholders' Equity (Unaudited)
(in thousands, except per share data)

	Preferred Shares	Common Shares	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2013	$—	$302,654	$441,605	$(76,375)	$(17,518)
Net Income			59,773		
Other comprehensive (loss), net of tax:					
Unrealized net holding loss on securities available-for-sale, net of income tax benefit of $(18,270)					(33,931)
Cash dividends on common stock at $2.82 per share			(43,461)		
Cash payment for fractional shares in dividend reinvestment plan		(2)			
Balance at September 30, 2013	$—	$302,652	$457,917	$(76,375)	$(51,449)
Balance at January 1, 2014	$—	$302,651	$460,643	$(76,128)	$(35,419)
Net Income			59,749		
Other comprehensive income, net of tax:					
Unrealized net holding gain on securities available-for-sale, net of income tax expense of $11,369					21,115
Cash dividends on common shares at $2.82 per share			(43,462)		
Cash payment for fractional shares in dividend reinvestment plan		(3)			
Share-based compensation expense		355			
Repurchase of treasury shares				(1,485)	
Balance at September 30, 2014	$—	$303,003	$476,930	$(77,613)	$(14,304)

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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

	Nine Months Ended September 30, 2014	2013
Operating activities:		
Net income	$59,749	$59,773
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,016	3,500
Other than temporary impairment on investment securities	—	17
Amortization of loan fees and costs, net	2,815	2,547
Depreciation	5,489	5,366
Amortization of core deposit intangibles	—	337
(Accretion)/amortization of investment securities, net	(129)	11
Amortization of prepayment penalty on long-term debt	3,681	3,618
Realized net investment security gains	(20)	—
Loan originations to be sold in secondary market	(96,384)	(283,919)
Proceeds from sale of loans in secondary market	93,335	308,087
Gain on sale of loans in secondary market	(1,906)	(4,996)
Share-based compensation expense	355	—
OREO valuation adjustments	2,026	2,229
Bank owned life insurance income	(3,708)	(3,767)
Changes in assets and liabilities:		
Decrease in other assets	1,732	17,763
Increase (decrease) in other liabilities	2,939	(1,944)
Net cash provided by operating activities	$70,990	$108,622
Investing activities:		
Proceeds from redemption of Federal Home Loan Bank stock	8,946	—
Proceeds from sales of:		
Available-for-sale securities	488	—
Proceeds from calls and maturities of:		
Available-for-sale securities	71,968	365,637
Held-to-maturity securities	31,712	207,393
Purchases of:		
Available-for-sale securities	(127,522)	(432,895)
Net increase in other investments	(1,350)	—
Net loan originations, portfolio loans	(181,197)	(158,430)
Investments in qualified affordable housing projects	(8,184)	(8,023)
Purchases of bank owned life insurance, net	—	(4,600)
Purchases of premises and equipment, net	(4,865)	(7,731)
Net cash used in investing activities	$(210,004)	$(38,649)

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

	Nine Months Ended September 30, 2014	2013
Financing activities:		
Net increase in deposits	$339,010	$134,660
Net increase (decrease) in short-term borrowings	26,689	(71,663)
Repayment of long-term debt	(75,537)	(25,940)
Proceeds from issuance of long-term debt	50,000	50,000
Repurchase of treasury shares	(1,485)	—
Cash dividends paid on common shares	(43,407)	(43,461)
Net cash provided by financing activities	$295,270	$43,596
Increase in cash and cash equivalents	156,256	113,569
Cash and cash equivalents at beginning of year	147,030	201,305
Cash and cash equivalents at end of period	$303,286	$314,874
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$29,674	$32,019
Income taxes	$18,620	$12,000
Non cash items:		
Loans transferred to OREO	$7,825	$17,591
Transfers from loans to loans held for sale	$21,985	$—

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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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 (sometimes also referred to as the "Registrant") and its subsidiaries. Unless the context otherwise requires, references to "Park", the "Corporation" or the "Company" and similar terms mean Park National Corporation and its subsidiaries. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations for the interim periods included herein have been made. The results of operations for the three - month and nine - month periods ended September 30, 2014 are not necessarily indicative of the operating results to be anticipated for the fiscal year ending December 31, 2014.

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 comprehensive income, condensed statements of changes in shareholders' equity and condensed statements of cash flows in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). These financial statements should be read in conjunction with the consolidated financial statements incorporated by reference in the Annual Report on Form 10-K of Park for the fiscal year ended December 31, 2013 from Park's 2013 Annual Report to Shareholders ("2013 Annual Report").

Park's significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in Park's 2013 Annual Report. For interim reporting purposes, Park follows the same basic accounting policies, as updated by the information contained in this report, and considers each interim period an integral part of an annual period. Management has evaluated events occurring subsequent to the balance sheet date, determining no events required additional disclosure in these consolidated condensed financial statements.

Note 2 – Recent Accounting Pronouncements

ASU 2013-11- Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists: The ASU requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, if a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance effective January 1, 2014 did not have an impact on Park's consolidated statements.

ASU 2014-01- Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force): In January 2014, FASB issued Accounting Standards Update 2014-01, Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force). The ASU permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. Additionally, a reporting entity should disclose information that enables users of its financial statement to understand the nature of its investments in qualified affordable housing projects, and the effect of the measurement of its investments in qualified affordable housing projects and the related tax credits on its financial position and results of operations. The new guidance is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The adoption of this guidance will not have a material impact on Park's consolidated financial statements, but may impact the presentation of Park's investments in qualified affordable housing projects. Additionally, the adoption of this guidance will require additional disclosures.

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ASU 2014-04 - Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force): In January 2014, FASB issued Accounting Standards Update 2014-04, Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force). The ASU clarifies when an in substance repossession or foreclosure occurs and a creditor is considered to have received physical possession of real estate property collateralizing a consumer mortgage loan. Specifically, the new ASU requires a creditor to reclassify a collateralized consumer mortgage loan to real estate property upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. Additional disclosures are required detailing the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgages collateralized by real estate property that are in the process of foreclosure. The new guidance is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The adoption of this guidance will not have a material impact on Park's consolidated financial statements, but will result in additional disclosures.

ASU 2014-09 - Revenue from Contracts with Customers (Topic 606): In May 2014, FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU creates a new topic, Topic 606, to provide guidance on revenue recognition for entities that enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures are required to provide quantitative and qualitative information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new guidance is effective for annual reporting periods, and interim reporting periods within those annual periods, beginning after December 15, 2016. Early adoption is not permitted. Management is currently evaluating the impact of the adoption of this guidance on Park's consolidated financial statements.

ASU 2014-11 - Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures: In June 2014, FASB issued Accounting Standards Update 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The amendments in this ASU change the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The amendments also require two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The accounting changes are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The disclosure for certain transactions accounted for as a sale is required to be presented for interim and annual periods beginning after December 15, 2014, with all other disclosure requirements required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The adoption of this guidance will not have a material impact on Park's consolidated financial statements, but will result in additional disclosures.

Note 3 – Goodwill

The following table shows the activity in goodwill for the first nine months of 2014.

(in thousands)	Goodwill
December 31, 2013	$72,334

Adjustments to goodwill	—
September 30, 2014	$72,334

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Note 4 – Loans

The composition of the loan portfolio, by class of loan, as of September 30, 2014 and December 31, 2013 was as follows:

	September 30, 2014			December 31, 2013		
(In thousands)	Loan balance	Accrued interest receivable	Recorded investment	Loan balance	Accrued interest receivable	Recorded investment
Commercial, financial and agricultural *	$809,550	$3,144	$812,694	$825,432	$3,079	$828,511
Commercial real estate *	1,072,550	3,870	1,076,420	1,112,273	3,765	1,116,038
Construction real estate:						
SEPH commercial land and development *	2,228	3	2,231	5,846	2	5,848
Remaining commercial	128,395	360	128,755	110,842	263	111,105
Mortgage	32,134	83	32,217	31,882	96	31,978
Installment	7,629	24	7,653	7,546	26	7,572
Residential real estate:						
Commercial	409,017	1,017	410,034	407,387	904	408,291
Mortgage	1,175,069	1,726	1,176,795	1,143,088	1,559	1,144,647
HELOC	217,543	793	218,336	213,565	870	214,435
Installment	29,491	100	29,591	33,841	132	33,973
Consumer	883,648	2,767	886,415	723,733	2,775	726,508
Leases	3,179	56	3,235	3,404	23	3,427
Total loans	$4,770,433	$13,943	$4,784,376	$4,618,839	$13,494	$4,632,333

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

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Credit Quality

The following tables present the recorded investment in nonaccrual loans, accruing troubled debt restructurings, and loans past due 90 days or more and still accruing by class of loan as of September 30, 2014 and December 31, 2013:

	September 30, 2014			
(In thousands)	Nonaccrual loans	Accruing troubled debt restructurings	Loans past due 90 days or more and accruing	Total nonperforming loans
Commercial, financial and agricultural	$22,462	$ 781	$—	$ 23,243
Commercial real estate	20,292	1,011	—	21,303
Construction real estate:				
SEPH commercial land and development	2,097	—	—	2,097
Remaining commercial	5,915	55	—	5,970
Mortgage	77	94	—	171
Installment	22	151	—	173
Residential real estate:				
Commercial	23,224	416	—	23,640
Mortgage	19,758	11,623	842	32,223
HELOC	1,786	711	—	2,497
Installment	1,742	965	35	2,742
Consumer	3,096	1,405	954	5,455
Total loans	$100,471	$ 17,212	$1,831	$ 119,514

	December 31, 2013			
(In thousands)	Nonaccrual loans	Accruing troubled debt restructurings	Loans past due 90 days or more and accruing	Total nonperforming loans
Commercial, financial and agricultural	$20,633	$ 107	$ 80	$ 20,820
Commercial real estate	39,588	2,234	2	41,824
Construction real estate:				
SEPH commercial land and development	4,777	—	—	4,777
Remaining commercial	10,476	306	—	10,782
Mortgage	87	97	—	184
Installment	39	192	—	231
Residential real estate:				
Commercial	32,495	913	—	33,408
Mortgage	20,564	11,708	549	32,821
HELOC	2,129	751	—	2,880
Installment	965	885	80	1,930
Consumer	3,463	1,616	1,016	6,095
Total loans	$135,216	$ 18,809	$ 1,727	$ 155,752

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The following table provides additional information regarding those nonaccrual and accruing troubled debt restructured loans that were individually evaluated for impairment and those collectively evaluated for impairment as of September 30, 2014 and December 31, 2013.

	September 30, 2014			December 31, 2013		
(In thousands)	Nonaccrual and accruing troubled debt restructurings	Loans individually evaluated for impairment	Loans collectively evaluated for impairment	Nonaccrual and accruing troubled debt restructurings	Loans individually evaluated for impairment	Loans collectively evaluated for impairment
Commercial, financial and agricultural	$23,243	$ 23,186	$ 57	$20,740	$ 20,727	$ 13
Commercial real estate	21,303	21,303	—	41,822	41,822	—
Construction real estate:						
SEPH commercial land and development	2,097	2,097	—	4,777	4,777	—
Remaining commercial	5,970	5,970	—	10,782	10,782	—
Mortgage	171	—	171	184	—	184
Installment	173	—	173	231	—	231
Residential real estate:						
Commercial	23,640	23,640	—	33,408	33,408	—
Mortgage	31,381	—	31,381	32,272	—	32,272
HELOC	2,497	—	2,497	2,880	—	2,880
Installment	2,707	—	2,707	1,850	—	1,850
Consumer	4,501	35	4,466	5,079	799	4,280
Total loans	$117,683	$ 76,231	$ 41,452	$154,025	$ 112,315	$ 41,710

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

The following table presents loans individually evaluated for impairment by class of loan as of September 30, 2014 and December 31, 2013.

	September 30, 2014			December 31, 2013		
(In thousands)	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:						
Commercial, financial and agricultural	$28,139	$19,850	$—	$22,429	$12,885	$—
Commercial real estate	35,478	20,198	—	56,870	34,149	—
Construction real estate:						
SEPH commercial land and development	14,933	2,097	—	23,722	4,777	—
Remaining commercial	1,542	466	—	8,429	6,872	—
Residential real estate:						
Commercial	25,980	23,127	—	36,709	31,461	—
Consumer	—	—	—	799	799	—

With an allowance recorded:						
Commercial, financial and agricultural	7,504	3,336	1,652	12,616	7,842	3,268
Commercial real estate	1,122	1,105	252	7,966	7,673	5,496
Construction real estate:						
SEPH commercial land and development	—	—	—	—	—	—
Remaining commercial	5,504	5,504	1,951	3,909	3,910	1,132
Residential real estate:						
Commercial	536	513	230	2,129	1,947	555
Consumer	35	35	35	—	—	—
Total	$120,773	$76,231	$4,120	$175,578	$112,315	$10,451

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Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. At September 30, 2014 and December 31, 2013, there were $40.4 million and $58.1 million, respectively, of partial charge-offs on loans individually evaluated for impairment with no related allowance recorded and $4.2 million and $5.2 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 September 30, 2014 and December 31, 2013 of $4.1 million and $10.5 million, respectively. These loans with specific reserves had a recorded investment of $10.5 million and $21.4 million as of September 30, 2014 and December 31, 2013, respectively.

Interest income on loans individually evaluated for impairment is recognized on a cash basis only when Park expects to receive the entire recorded investment of the loan. The following table presents the average recorded investment and interest income recognized subsequent to impairment on loans individually evaluated for impairment as of and for the three and nine months ended September 30, 2014 and September 30, 2013:

	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
(In thousands)	Recorded investment as of September 30, 2014	Average recorded investment	Interest income recognized	Recorded investment as of September 30, 2013	Average recorded investment	Interest income recognized
Commercial, financial and agricultural	$23,186	$18,764	$68	$19,871	$20,803	$124
Commercial real estate	21,303	30,644	327	41,009	41,417	329
Construction real estate:						
SEPH commercial land and development	2,097	3,653	12	6,489	7,579	—
Remaining commercial	5,970	8,561	2	15,606	17,249	136
Residential real estate:						
Commercial	23,640	27,765	255	34,477	34,860	115
Consumer	35	68	—	799	799	—
Total	$76,231	$89,455	$664	$118,251	$122,707	$704

	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
(In thousands)	Recorded investment as of September 30, 2014	Average recorded investment	Interest income recognized	Recorded investment as of September 30, 2013	Average recorded investment	Interest income recognized
Commercial, financial and agricultural	$23,186	$19,362	$204	$19,871	$21,182	$334
Commercial real estate	21,303	35,458	862	41,009	41,642	844
Construction real estate:						
SEPH commercial land and development	2,097	4,130	134	6,489	9,722	—
Remaining commercial	5,970	9,587	56	15,606	19,118	548
Residential real estate:						
Commercial	23,640	29,632	825	34,477	35,531	357

Consumer	35	521	—	799	561	—
Total	$76,231	$98,690	$2,081	$118,251	$127,756	$2,083

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The following tables present the aging of the recorded investment in past due loans as of September 30, 2014 and December 31, 2013 by class of loan.

	September 30, 2014				
(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	$7,814	$ 8,640	$ 16,454	$796,240	$ 812,694
Commercial real estate	800	11,110	11,910	1,064,510	1,076,420
Construction real estate:					
SEPH commercial land and development	—	2,071	2,071	160	2,231
Remaining commercial	—	147	147	128,608	128,755
Mortgage	526	77	603	31,614	32,217
Installment	53	—	53	7,600	7,653
Residential real estate:					
Commercial	525	19,091	19,616	390,418	410,034
Mortgage	12,629	11,225	23,854	1,152,941	1,176,795
HELOC	644	539	1,183	217,153	218,336
Installment	461	593	1,054	28,537	29,591
Consumer	11,018	3,482	14,500	871,915	886,415
Leases	—	—	—	3,235	3,235
Total loans	$34,470	$ 56,975	$ 91,445	$4,692,931	$ 4,784,376

* Includes $1.8 million of loans past due 90 days or more and accruing. The remaining are past due, nonaccrual loans and accruing troubled debt restructurings.

	December 31, 2013				
(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	$1,233	$ 13,275	$ 14,508	$814,003	$ 828,511
Commercial real estate	2,168	18,274	20,442	1,095,596	1,116,038
Construction real estate:					
SEPH commercial land and development	—	4,242	4,242	1,606	5,848
Remaining commercial	—	3,463	3,463	107,642	111,105
Mortgage	264	75	339	31,639	31,978
Installment	207	14	221	7,351	7,572
Residential real estate:					
Commercial	900	5,659	6,559	401,732	408,291
Mortgage	13,633	11,829	25,462	1,119,185	1,144,647
HELOC	571	402	973	213,462	214,435
Installment	696	436	1,132	32,841	33,973
Consumer	12,143	3,941	16,084	710,424	726,508

Leases	—	—	—	3,427	3,427
Total loans	$31,815	$ 61,610	$ 93,425	$4,538,908	$ 4,632,333

* Includes $1.7 million of loans past due 90 days or more and accruing. The remaining are past due, nonaccrual loans and accruing troubled debt restructurings.

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Credit Quality Indicators

Management utilizes past due information as a credit quality indicator across the loan portfolio. Past due information as of September 30, 2014 and December 31, 2013 is included in the tables above. 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) consumer loans. The primary credit indicator for commercial loans is based on an internal grading system that grades all commercial loans on a scale from 1 to 8. Credit grades are continuously monitored by the responsible 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 4.5 (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 require management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan 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 are inadequately protected by the current sound worth and paying capacity of the obligor or the value 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 Park will sustain some loss if the deficiencies are not corrected. Commercial loans that are graded a 7 (doubtful) are shown as nonaccrual 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. Certain 6-rated loans and all 7-rated loans are included within the impaired category. A loan is deemed impaired when management determines the borrower's ability to perform in accordance with the contractual loan agreement is in doubt. Any commercial loan graded an 8 (loss) is completely charged off.

The tables below present the recorded investment by loan grade at September 30, 2014 and December 31, 2013 for all commercial loans:

	September 30, 2014				
(In thousands)	5 Rated	6 Rated	Impaired	Pass Rated	Recorded Investment
Commercial, financial and agricultural *	$3,444	$136	$23,243	$785,871	$812,694
Commercial real estate *	6,460	1,133	21,303	1,047,524	1,076,420
Construction real estate:					
SEPH commercial land and development *	—	—	2,097	134	2,231
Remaining commercial	3,470	—	5,970	119,315	128,755
Residential real estate:					
Commercial	1,412	540	23,640	384,442	410,034
Leases	—	—	—	3,235	3,235
Total Commercial Loans	$14,786	$1,809	$76,253	$2,340,521	$2,433,369

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

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	December 31, 2013				
(In thousands)	5 Rated	6 Rated	Impaired	Pass Rated	Recorded Investment
Commercial, financial and agricultural *	$6,055	$532	$20,740	$801,184	$828,511
Commercial real estate *	11,591	1,525	41,822	1,061,100	1,116,038
Construction real estate:					
SEPH commercial land and development *	354	—	4,777	717	5,848
Remaining commercial	6,858	244	10,782	93,221	111,105
Residential real estate:					
Commercial	5,033	397	33,408	369,453	408,291
Leases	—	—	—	3,427	3,427
Total Commercial Loans	$29,891	$2,698	$111,529	$2,329,102	$2,473,220

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

Troubled Debt Restructurings (TDRs)

Management classifies loans as TDRs when a borrower is experiencing financial difficulties and Park has granted a concession to the borrower as part of a modification or in the loan renewal process. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of the borrower's debt in the foreseeable future without the modification. This evaluation is performed in accordance with the Company’s internal underwriting policy. Management’s policy is to modify loans by extending the term or by granting a temporary or permanent contractual interest rate below the market rate, not by forgiving debt. Certain loans which were modified during the periods ended September 30, 2014 and September 30, 2013 did not meet the definition of a TDR as the modification was a delay in a payment that was considered to be insignificant. Management considers a forbearance period of up to three months or a delay in payment of up to 30 days to be insignificant. TDRs may be classified as accruing if the borrower has been current for a period of at least six months with respect to loan payments and management expects that the borrower will be able to continue to make payments in accordance with the terms of the restructured note. Management reviews all accruing TDRs quarterly to ensure payments continue to be made in accordance with the modified terms.

Management reviews renewals/modifications of loans previously identified as TDRs to consider if it is appropriate to remove the TDR classification. If the borrower is no longer experiencing financial difficulty and the renewal/modification does not contain a concessionary interest rate or other concessionary terms, management considers the potential removal of the TDR classification. If deemed appropriate, the TDR classification is removed as the borrower has complied with the terms of the loan at the date of the renewal/modification and there was a reasonable expectation that the borrower would continue to comply with the terms of the loan subsequent to the date of the renewal/modification. The majority of these TDRs were originally considered restructurings in a prior year as a result of a renewal/modification with an interest rate that was not commensurate with the risk of the underlying loan at the time of the renewal/modification. During the three-month and nine-month periods ended September 30, 2014, Park removed the TDR classification on $0.9 million and $2.5 million, respectively, of loans that met the requirements discussed above. During the three-month and nine-month periods ended September 30, 2013, Park removed the TDR classification on $0.7 million and $3.6 million, respectively, of loans that met the requirements discussed above.

At September 30, 2014 and December 31, 2013, there were $46.8 million and $76.3 million, respectively, of TDRs included in the nonaccrual loan totals. At September 30, 2014 and December 31, 2013, $14.5 million and $50.6 million of these nonaccrual TDRs were performing in accordance with the terms of the restructured note. As of September 30, 2014 and December 31, 2013, there were $17.2 million and $18.8 million, respectively, of TDRs included in accruing loan totals. Management will continue to review the restructured loans and may determine it appropriate to move certain of the loans back to accrual status in the future.

At September 30, 2014 and December 31, 2013, Park had commitments to lend $2.7 million and $4.0 million, respectively, of additional funds to borrowers whose outstanding loan terms had been modified in a TDR.

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The specific reserve related to TDRs at September 30, 2014 and December 31, 2013 was $2.5 million and $7.5 million, respectively. Modifications made in 2013 and 2014 were largely the result of renewals, extending the maturity date of the loan, at terms consistent with the original note. These modifications were deemed to be TDRs primarily due to Park's conclusion that the borrower would likely not have qualified for similar terms through another lender. Many of the modifications deemed to be TDRs were previously identified as impaired loans, and thus were also previously evaluated for impairment under ASC 310. Additional specific reserves of $258,000 and $537,000 were recorded during the three-month and nine-month periods ended September 30, 2014, respectively, as a result of TDRs identified in 2014. Additional specific reserves of $474,000 and $745,000 were recorded during the three-month and nine-month periods ended September 30, 2013, respectively, as a result of TDRs identified in 2013.

The terms of certain other loans were modified during the nine-month periods ended September 30, 2014 and September 30, 2013 that did not meet the definition of a TDR. Modified substandard commercial loans which did not meet the definition of a TDR had a total recorded investment as of September 30, 2014 and September 30, 2013 of $443,000 and $541,000, respectively. The renewal/modification of these loans: (1) involved a renewal/modification of the terms of a loan to a borrower who was not experiencing financial difficulties, (2) resulted in a delay in a payment that was considered to be insignificant, or (3) resulted in Park obtaining additional collateral or guarantees that improved the likelihood of the ultimate collection of the loan such that the modification was deemed to be at market terms. Modified consumer loans which did not meet the definition of a TDR had a total recorded investment as of September 30, 2014 and September 30, 2013 of $17.6 million and $19.6 million, respectively. Many of these loans were to borrowers who were not experiencing financial difficulties but who were looking to reduce their cost of funds.

The following tables detail the number of contracts modified as TDRs during the three-month and nine-month periods ended September 30, 2014 and September 30, 2013, as well as the recorded investment of these contracts at September 30, 2014 and September 30, 2013. The recorded investment pre- and post-modification is generally the same due to the fact that Park does not typically provide for forgiveness of principal.

	Three Months Ended September 30, 2014			
(In thousands)	Number of Contracts	Accruing	Nonaccrual	Total Recorded Investment
Commercial, financial and agricultural	14	$776	$1,025	$1,801
Commercial real estate	2	—	622	622
Construction real estate:				
SEPH commercial land and development	—	—	—	—
Remaining commercial	—	—	—	—
Mortgage	—	—	—	—
Installment	—	—	—	—
Residential real estate:				
Commercial	2	—	312	312
Mortgage	11	508	356	864
HELOC	2	—	29	29
Installment	3	133	9	142
Consumer	87	415	344	759
Total loans	121	$1,832	$2,697	$4,529

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	Three Months Ended September 30, 2013			
(In thousands)	Number of Contracts	Accruing	Nonaccrual	Total Recorded Investment
Commercial, financial and agricultural	7	$2,806	$678	$3,484
Commercial real estate	9	—	5,671	5,671
Construction real estate:				
SEPH commercial land and development	—	—	—	—
Remaining commercial	—	—	—	—
Mortgage	—	—	—	—
Installment	1	15	—	15
Residential real estate:				
Commercial	—	—	—	—
Mortgage	8	120	393	513
HELOC	6	129	—	129
Installment	5	52	41	93
Consumer	76	419	208	627
Total loans	112	$3,541	$6,991	$10,532

Of those loans which were modified and determined to be a TDR during the three-month period ended September 30, 2014, $205,000 were on nonaccrual status as of December 31, 2013. Of those loans which were modified and determined to be a TDR during the three-month period ended September 30, 2013, $751,000 were on nonaccrual status as of December 31, 2012.

	Nine Months Ended September 30, 2014			
(In thousands)	Number of Contracts	Accruing	Nonaccrual	Total Recorded Investment
Commercial, financial and agricultural	24	$776	$1,065	$1,841
Commercial real estate	8	—	905	905
Construction real estate:				
SEPH commercial land and development	—	—	—	—
Remaining commercial	2	—	207	207
Mortgage	—	—	—	—
Installment	1	—	—	—
Residential real estate:				
Commercial	4	—	333	333
Mortgage	31	749	1,104	1,853
HELOC	7	93	195	288
Installment	9	228	12	240
Consumer	246	726	460	1,186
Total loans	332	$2,572	$4,281	$6,853

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(In thousands)	Nine Months Ended September 30, 2013 Number of Contracts	Accruing	Nonaccrual	Total Recorded Investment
Commercial, financial and agricultural	21	$2,813	$1,052	$3,865
Commercial real estate	16	—	6,635	6,635
Construction real estate:				
SEPH commercial land and development	—	—	—	—
Remaining commercial	2	403	—	403
Mortgage	—	—	—	—
Installment	3	15	24	39
Residential real estate:				
Commercial	14	—	2,574	2,574
Mortgage	41	1,513	1,616	3,129
HELOC	13	222	—	222
Installment	12	118	75	193
Consumer	251	754	287	1,041
Total loans	373	$5,838	$12,263	$18,101

Of those loans which were modified and determined to be a TDR during the nine-month period ended September 30, 2014, $1.0 million were on nonaccrual status as of December 31, 2013. Of those loans which were modified and determined to be a TDR during the nine-month period ended September 30, 2013, $3.2 million were on nonaccrual status as of December 31, 2012.

The following tables present the recorded investment in financing receivables which were modified as TDRs within the previous 12 months and for which there was a payment default during the three-month and nine-month periods ended September 30, 2014 and September 30, 2013, respectively. For these tables, a loan is considered to be in default when it becomes 30 days contractually past due under the modified terms. The additional allowance for loan loss resulting from the defaults on TDR loans was immaterial.

(In thousands)	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial, financial and agricultural	3	$62	7	$554
Commercial real estate	—	—	4	634
Construction real estate:				
SEPH commercial land and development	—	—	—	—
Remaining commercial	—	—	—	—
Mortgage	—	—	—	—
Installment	—	—	—	—
Residential real estate:				
Commercial	2	194	3	2,293
Mortgage	18	1,205	21	1,645
HELOC	1	166	—	—
Installment	2	115	7	149
Consumer	54	486	58	328
Leases	—	—	—	—

Total loans	80	$2,228	100	$5,603

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Of the $2.2 million in modified TDRs which defaulted during the three months ended September 30, 2014, $160,000 were accruing loans and $2.1 million were nonaccrual loans. Of the $5.6 million in modified TDRs which defaulted during the three months ended September 30, 2013, $376,000 were accruing loans and $5.2 million were nonaccrual loans.

(In thousands)	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial, financial and agricultural	4	$111	12	$977
Commercial real estate	—	—	5	670
Construction real estate:				
SEPH commercial land and development	—	—	1	14
Remaining commercial	—	—	—	—
Mortgage	—	—	—	—
Installment	—	—	1	11
Residential real estate:				
Commercial	2	194	9	2,906
Mortgage	21	1,354	25	2,024
HELOC	1	166	—	—
Installment	3	118	7	149
Consumer	65	564	68	411
Leases	—	—	—	—
Total loans	96	$2,507	128	$7,162

Of the $2.5 million in modified TDRs which defaulted during the nine months ended September 30, 2014, $261,000 were accruing loans and $2.2 million were nonaccrual loans. Of the $7.2 million in modified TDRs which defaulted during the nine months ended September 30, 2013, $496,000 were accruing loans and $6.7 million were nonaccrual loans.

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 Park’s 2013 Annual Report.

With the inclusion of 2013 net charge-off information in the fourth quarter of 2013, management concluded that it was no longer appropriate to calculate the historical average with an even allocation across the five-year period. Rather than apply a 20% allocation to each year in the calculation of the historical annualized loss factor, management determined that it was appropriate to more heavily weight those years with higher losses in the historical loss calculation, given the continued uncertainty in the current economic environment. Specifically, rather than applying equal percentages to each year in the historical loss calculation, management applied more weight to the 2009-2011 periods compared to the 2012 and 2013 periods. Management will update the historical loss factors annually in the fourth quarter, or more frequently as deemed appropriate.

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The activity in the allowance for loan losses for the three and nine months ended September 30, 2014 and September 30, 2013 is summarized below.

Three Months Ended September 30, 2014

(In thousands)	Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
Allowance for loan losses:							
Beginning balance	$14,196	$ 11,062	$ 7,821	$14,519	$10,313	$—	$57,911
Charge-offs	874	463	11	623	2,014	—	3,985
Charge-offs upon transfer to held for sale	597	1,467	1,262	1,012	—	—	4,338
Recoveries	161	161	2,368	284	607	4	3,585
Net charge-offs/(recoveries)	1,310	1,769	(1,095)	1,351	1,407	(4)	4,738
Provision/(recovery)	136	1,136	(262)	1,678	1,817	(4)	4,501
Ending balance	$13,022	$ 10,429	$ 8,654	$14,846	$10,723	$—	$57,674

Three Months Ended September 30, 2013

(In thousands)	Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
Allowance for loan losses:							
Beginning balance	$15,391	$ 11,025	$ 7,132	$14,647	$6,916	$—	$55,111
Charge-offs	3,297	457	100	725	709	—	5,288
Recoveries	216	358	4,026	620	353	—	5,573
Net charge-offs/(recoveries)	3,081	99	(3,926)	105	356	—	(285)
Provision/(recovery)	1,741	4,611	(4,704)	(942)	1,792	—	2,498
Ending balance	$14,051	$ 15,537	$ 6,354	$13,600	$8,352	$—	$57,894

Nine Months Ended September 30, 2014

(In thousands)	Commercial, financial and agricultural	Commercial real estate	Construction real estate	Residential real estate	Consumer	Leases	Total
Allowance for loan losses:							
Beginning balance	$14,218	$ 15,899	$ 6,855	$14,251	$8,245	$—	$59,468
Charge-offs	1,727	6,531	35	1,899	5,315	—	15,507
Charge-offs upon transfer to held for sale	597	1,467	1,262	1,012	—	—	4,338
Recoveries	755	4,074	8,342	1,877	1,981	6	17,035
Net charge-offs/(recoveries)	1,569	3,924	(7,045)	1,034	3,334	(6)	2,810
Provision/(recovery)	373	(1,546)	(5,246)	1,629	5,812	(6)	1,016
Ending balance	$13,022	$ 10,429	$ 8,654	$14,846	$10,723	$—	$57,674

Nine Months Ended September 30, 2013

(In thousands)	Commercial,	Commercial	Construction	Residential	Consumer	Leases	Total

	financial and agricultural	real estate	real estate	real estate			
Allowance for loan losses:							
Beginning balance	$15,635	$ 11,736	$ 6,841	$14,759	$6,566	$—	$55,537
Charge-offs	6,781	1,533	1,771	2,047	3,503	—	15,635
Recoveries	1,133	620	5,874	5,260	1,604	1	14,492
Net charge-offs/(recoveries)	5,648	913	(4,103)	(3,213)	1,899	(1)	1,143
Provision/(recovery)	4,064	4,714	(4,590)	(4,372)	3,685	(1)	3,500
Ending balance	$14,051	$ 15,537	$ 6,354	$13,600	$8,352	$—	$57,894

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Loans collectively evaluated for impairment in the following tables include all performing loans at September 30, 2014 and December 31, 2013, 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 September 30, 2014 and December 31, 2013, which are evaluated for impairment in accordance with U.S. GAAP (see Note 1 of the Notes to Consolidated Financial Statements included in Park's 2013 Annual Report).

The composition of the allowance for loan losses at September 30, 2014 and December 31, 2013 was as follows:

	September 30, 2014						
(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	$1,652	$252	$1,951	$230	$35	$—	$4,120
Collectively evaluated for impairment	11,370	10,177	6,703	14,616	10,688	—	53,554
Total ending allowance balance	$13,022	$10,429	$8,654	$14,846	$10,723	$—	$57,674
Loan balance:							
Loans individually evaluated for impairment	$23,186	$21,298	$8,067	$23,612	$35	$—	$76,198
Loans collectively evaluated for impairment	786,364	1,051,252	162,319	1,807,508	883,613	3,179	4,694,235
Total ending loan balance	$809,550	$1,072,550	$170,386	$1,831,120	$883,648	$3,179	$4,770,433
Allowance for loan losses as a percentage of loan balance:							
Loans individually evaluated for impairment	7.12 %	1.18 %	24.18 %	0.97 %	100.00 %	—	5.41 %
Loans collectively evaluated for impairment	1.45 %	0.97 %	4.13 %	0.81 %	1.21 %	—	1.14 %
Total	1.61 %	0.97 %	5.08 %	0.81 %	1.21 %	—	1.21 %
Recorded investment:							
	$23,186	$21,303	$8,067	$23,640	$35	$—	$76,231

Loans individually evaluated for impairment							
Loans collectively evaluated for impairment	789,508	1,055,117	162,789	1,811,116	886,380	3,235	4,708,145
Total ending recorded investment	$812,694	$1,076,420	$ 170,856	$1,834,756	$886,415	$3,235	$4,784,376

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(In thousands)	December 31, 2013 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	$3,268	$5,496	$1,132	$555	$—	$—	$10,451
Collectively evaluated for impairment	10,950	10,403	5,723	13,696	8,245	—	49,017
Total ending allowance balance	$14,218	$15,899	$6,855	$14,251	$8,245	$—	$59,468
Loan balance:							
Loans individually evaluated for impairment	$20,724	$41,816	$15,559	$33,406	$799	$—	$112,304
Loans collectively evaluated for impairment	804,708	1,070,457	140,557	1,764,475	722,934	3,404	4,506,535
Total ending loan balance	$825,432	$1,112,273	$156,116	$1,797,881	$723,733	$3,404	$4,618,839
Allowance for loan losses as a percentage of loan balance:							
Loans individually evaluated for impairment	15.77 %	13.14 %	7.28 %	1.66 %	—	—	9.31 %
Loans collectively evaluated for impairment	1.36 %	0.97 %	4.07 %	0.78 %	1.14 %	—	1.09 %
Total	1.72 %	1.43 %	4.39 %	0.79 %	1.14 %	—	1.29 %
Recorded investment:							
Loans individually evaluated for impairment	$20,727	$41,822	$15,559	$33,408	$799	$—	$112,315
Loans collectively evaluated for impairment	807,784	1,074,216	140,944	1,767,938	725,709	3,427	4,520,018
Total ending recorded investment	$828,511	$1,116,038	$156,503	$1,801,346	$726,508	$3,427	$4,632,333

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 nine months ended September 30, 2014 and 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except share and per share data)	2014	2013	2014	2013
Numerator:				
Net income available to common shareholders	$18,303	$19,029	$59,749	$59,773
Denominator:				
Denominator for basic earnings per share (weighted average common shares outstanding)	15,392,421	15,411,972	15,395,320	15,411,981
Effect of dilutive performance-based restricted stock units	21,243	—	18,305	—
Denominator for diluted earnings per share (weighted average common shares outstanding adjusted for the effect of dilutive performance-based restricted stock units)	15,413,664	15,411,972	15,413,625	15,411,981
Earnings per common share:				
Basic earnings per common share	$1.19	$1.23	$3.88	$3.88
Diluted earnings per common share	$1.19	$1.23	$3.88	$3.88

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On January 24, 2014, Park awarded 21,975 performance - based restricted stock units ("PBRSUs") to certain employees. The PBRSUs vest based on service and performance conditions. The dilutive effect of the PBRSUs was the addition of 21,243 common shares for the three months ended September 30, 2014 and 18,305 for the nine months ended September 30, 2014.

There were no dilutive shares included in the calculation of diluted earnings per share for the three and nine months ended September 30, 2013.

Note 7 – Segment Information

The Corporation is a financial holding company headquartered in Newark, Ohio. The operating segments for the Corporation are its chartered national bank subsidiary, The Park National Bank (headquartered in Newark, Ohio) ("PNB"), SE Property Holdings, LLC ("SEPH"), and Guardian Financial Services Company ("GFSC").

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 the company's performance, better understand the potential for future cash flows, and make more informed judgments about the company as a whole. Park has three operating segments, as: (i) discrete financial information is available for each operating segment and (ii) the segments are aligned with internal reporting to Park's Chief Executive Officer and President, who is the chief operating decision maker.

	Operating Results for the three months ended September 30, 2014				
(In thousands)	PNB	GFSC	SEPH	All Other	Total
Net interest income (expense)	$55,400	$1,838	$32	$(561)	$56,709
Provision for (recovery of) loan losses	6,527	425	(2,451)	—	4,501
Other income	18,415	—	892	89	19,396
Other expense	40,923	774	3,332	1,874	46,903
Income (loss) before income taxes	$26,365	$639	$43	$(2,346)	$24,701
Federal income taxes (benefit)	7,128	223	15	(968)	6,398
Net income (loss)	$19,237	$416	$28	$(1,378)	$18,303
Assets (as of September 30, 2014)	$6,915,442	$41,104	$53,025	$3,701	$7,013,272

	Operating Results for the three months ended September 30, 2013				
(In thousands)	PNB	GFSC	SEPH	All Other	Total
Net interest income (expense)	$52,348	$2,204	$(462)	$870	$54,960
Provision for (recovery of) loan losses	6,339	355	(4,196)	—	2,498
Other income	16,756	6	525	109	17,396
Other expense	39,860	730	2,270	1,855	44,715
Income (loss) before income taxes	$22,905	$1,125	$1,989	$(876)	$25,143
Federal income taxes (benefit)	5,656	394	696	(632)	6,114
Net income (loss)	$17,249	$731	$1,293	$(244)	$19,029
Assets (as of September 30, 2013)	$6,588,368	$50,047	$77,270	$(9,794)	$6,705,891

	Operating Results for the nine months ended September 30, 2014			
(In thousands)	PNB	GFSC	SEPH	All Other