PARK NATIONAL CORP /OH/
Form 10-Q
May 06, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

OR

o **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 þ No o

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. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller Reporting Company o
(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 o No þ

13,964,560 Common shares, no par value per share, outstanding at April 30, 2008.

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PARK NATIONAL CORPORATION
Consolidated Condensed Balance Sheets (Unaudited)
(dollars in thousands)

	March 31, 2008	December 31, 2007
Assets:		
Cash and due from banks	**$ 176,350**	$ 183,165
Money market instruments	**8,546**	10,232
Cash and cash equivalents	**184,896**	193,397
Interest bearing deposits	**1**	1
Securities available-for-sale, at fair value (amortized cost of $1,661,576 and $1,473,052 at March 31, 2008 and December 31, 2007)	**1,684,276**	1,474,517
Securities held-to-maturity, at amortized cost (fair value approximates $205,805 and $161,414 at March 31, 2008 and December 31, 2007)	**207,139**	165,421
Other investment securities	**64,620**	63,165
Loans	**4,253,363**	4,224,134
Allowance for loan losses	**85,848**	87,102
Net loans	**4,167,515**	4,137,032
Bank premises and equipment, net	**68,816**	66,634
Bank owned life insurance	**128,726**	119,472
Goodwill and other intangible assets	**143,550**	144,556
Other assets	**131,826**	136,907
Total assets	**$6,781,365**	$6,501,102
Liabilities and Stockholders Equity:		
Deposits:		
Noninterest bearing	**$ 711,151**	$ 695,466
Interest bearing	**3,808,605**	3,743,773

Total deposits	**4,519,756**	4,439,239
Short-term borrowings	**753,953**	759,318
Long-term debt	**787,512**	590,409
Subordinated Debentures	**40,000**	40,000
Other liabilities	**88,965**	92,124
Total liabilities	**6,190,186**	5,921,090
COMMITMENTS AND CONTINGENCIES		
Stockholders Equity:		
Common stock (No par value; 20,000,000 shares authorized; 16,151,188 shares issued at 2008 and 16,151,200 shares issued at 2007)	**301,213**	301,213
Retained earnings	**487,443**	489,511
Treasury stock (2,186,624 shares at 2008 and 2,186,624 shares at 2007)	**(208,104)**	(208,104)
Accumulated other comprehensive income (loss), net of taxes	**10,627**	(2,608)
Total stockholders equity	**591,179**	580,012
Total liabilities and stockholders equity	**$6,781,365**	$6,501,102

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Income (Unaudited)
(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2008	**2007**
Interest and dividends income:		
Interest and fees on loans	**$ 79,010**	$71,182
Interest and dividends on:		
Obligations of U.S. Government, its agencies and other securities	**20,705**	18,547
Obligations of states and political subdivisions	**654**	813
Other interest income	**99**	294
Total interest and dividends income	**100,468**	90,836
Interest expense:		
Interest on deposits:		
Demand and savings deposits	**7,358**	8,097
Time deposits	**19,199**	17,581
Interest on borrowings:		
Short-term borrowings	**4,751**	3,918
Long-term debt	**7,676**	6,342
Total interest expense	**38,984**	35,938
Net interest income	**61,484**	54,898
Provision for loan losses	**7,394**	2,205
Net interest income after provision for loan losses	**54,090**	52,693

Other income:		
Income from fiduciary activities	**3,573**	3,504
Service charges on deposit accounts	**5,784**	4,847
Other service income	**3,077**	2,505
Other	**8,605**	5,318
Total other income	**21,039**	16,174
Gain on sale of securities	**309**	

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PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Income (Unaudited)
(Continued)
(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2008	**2007**
Other expense:		
Salaries and employee benefits	**$ 24,671**	$ 23,061
Occupancy expense	**3,025**	2,560
Furniture and equipment expense	**2,317**	2,176
Other expense	**13,264**	11,512
Total other expense	**43,277**	39,309
Income before income taxes	**32,161**	29,558
Income taxes	**9,183**	8,495
Net income	**$ 22,978**	$ 21,063
Per Share:		
Net income:		
Basic	**$ 1.65**	$ 1.49
Diluted	**$ 1.65**	$ 1.49
Weighted average		
Basic	**13,964,572**	14,121,331
Diluted	**13,964,572**	14,138,517
Cash dividends declared	**$ 0.94**	$ 0.93

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION
Consolidated Condensed Statements of Changes in Stockholders Equity (Unaudited)
(dollars in thousands, except share data)

Three Months ended March 31, 2008 and 2007	Common Stock	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (loss)	Comprehensive Income
BALANCE AT DECEMBER 31, 2006	$ 217,067	$ 519,563	($143,371)	($22,820)	
Net Income		21,063			$ 21,063
Other comprehensive income (loss), net of tax: Unrealized net holding gain on securities available-for-sale, net of taxes $1,997				3,709	3,709
Total comprehensive income					$ 24,772
Cash dividends on common stock at $.93 per share		(12,949)			
Cash payment for fractional shares in dividend reinvestment plan	(1)				
Treasury stock purchased - 52,434 shares			(4,862)		
Treasury stock reissued for stock options - 2,846 shares			233		
Shares issued for Vision Bancshares purchase - 792,937 shares	83,258				
BALANCE AT MARCH 31, 2007	$ 300,324	$ 527,677	($148,000)	($19,111)	
BALANCE AT DECEMBER 31, 2007	**$ 301,213**	**$ 489,511**	**($208,104)**	**($2,608)**	
Net Income		**22,978**			**$ 22,978**
Other comprehensive income (loss), net of tax: Unrealized net holding (loss) on cash flow hedge, net of taxes ($306)				**(568)**	**(568)**
Unrealized net holding gain on securities available-for-sale, net of taxes $7,432				**13,803**	**13,803**
Total comprehensive income					**$ 36,213**

Cash dividends on common stock at $.94 per share		**(13,081)**		
Postretirement benefit pertaining to endorsement split-dollar life insurance		**(11,634)**		
FAS 158 measurement date adjustment, net of taxes ($178)		**(331)**		
BALANCE AT MARCH 31, 2008	**$ 301,213**	**$ 487,443**	**($208,104)**	**$ 10,627**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended March 31, 2008	2007
Operating activities:		
Net income	**$ 22,978**	$ 21,063
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, accretion and amortization	**(128)**	(569)
Provision for loan losses	**7,394**	2,205
Stock dividends on Federal Home Loan Bank stock	**(725)**	
Realized net investment security (gains)	**(309)**	
Amortization of core deposit intangibles	**1,006**	684
Changes in assets and liabilities:		
Increase in other assets	**(7,908)**	(6,172)
Increase (decrease) in other liabilities	**1,884**	(671)
Net cash provided from operating activities	**24,192**	16,540
Investing activities:		
Proceeds from sales of available-for-sale securities	**25,309**	
Proceeds from maturity of:		
Available-for-sale securities	**106,059**	195,424
Held-to-maturity securities	**164**	2,853
Purchases of:		
Available-for-sale securities	**(319,139)**	(239,330)
Held-to-maturity securities	**(41,882)**	

Net (increase) in other investments	**(730)**	
Net (increase) in loans	**(36,299)**	(13,530)
Cash paid for acquisition, net		(44,993)
Purchases of bank owned life insurance, net	**(8,100)**	
Purchases of premises and equipment, net	**(4,076)**	(10,508)
Net cash used by investing activities	**(278,694)**	(110,084)

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

	Three Months Ended March 31,	
	2008	**2007**
Financing activities:		
Net increase in deposits	**$ 80,517**	$ 149,848
Net (decrease) in short-term borrowings	**(5,365)**	(11,324)
Proceeds from exercise of stock options		233
Purchase of treasury stock		(4,862)
Cash payment for fractional shares in dividend reinvestment plan		(1)
Long-term debt issued	**200,000**	75,100
Repayment of long-term debt	**(2,897)**	(77,680)
Cash dividends paid	**(26,254)**	(25,896)
Net cash provided from financing activities	246,001	105,418
(Decrease) increase in cash and cash equivalents	**(8,501)**	11,874
Cash and cash equivalents at beginning of year	**193,397**	186,256
Cash and cash equivalents at end of period	**$184,896**	$ 198,130
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	**$ 38,396**	$ 35,829
Income taxes	**$ 1,000**	$ 2,600

Summary of business acquisition:	
Fair value of assets acquired	$ 686,512
Cash paid for purchase of Vision Bancshares	(87,843)
Stock issued for purchase of Vision Bancshares	(83,258)
Fair value of liabilities assumed	(624,432)
Goodwill recognized	($109,021)

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PARK NATIONAL CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2008 and 2007.

Note 1 Basis of Presentation

The consolidated financial statements included in this report have been prepared by Park National Corporation (the Registrant , Corporation , Company , or Park) without audit. In the opinion of management, all adjustments (consisti solely 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 quarter ended March 31, 2008 are not necessarily indicative of the operating results to be anticipated for the fiscal year ending December 31, 2008.

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. 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, 2007 from Park s 2007 Annual Report to Shareholders.

Park s significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in Park s 2007 Annual Report to Shareholders. For interim reporting purposes, Park follows the same basic accounting policies and considers each interim period as an integral part of an annual period.

Note 2 Acquisitions and Intangible Assets

On March 9, 2007, Park acquired all of the stock and outstanding stock options of Vision Bancshares, Inc. for $87.8 million in cash and 792,937 shares of Park common stock valued at $83.3 million or $105.00 per share. The goodwill recognized as a result of this acquisition was $109.0 million. Substantially, none of the goodwill is tax deductible. Management continues to expect that the acquisition of Vision will improve the future growth rate for Park s loans and deposits. The fair value of the acquired assets of Vision was $686.5 million and the fair value of the liabilities assumed was $624.4 million at March 9, 2007.

During the first quarter of 2008, loans at Vision Bank have grown by $26 million to $666 million at March 31, 2008. For the twelve months ended March 31, 2008, Vision Bank had loan growth of $67 million or 11.3%, while the Ohio-based banks had loan growth of $97 million or 2.8% for the same period.

Additional information pertaining to Park s acquisitions made during 2007 is discussed in Note 2 of the Notes to Consolidated Financial Statements included in Park s 2007 Annual Report to Shareholders.

The following table shows the activity in goodwill and core deposit intangibles during the first three months of 2008.

(In Thousands)	Goodwill	Core Deposit Intangibles	Total
December 31, 2007	$127,320	$ 17,236	$ 144,556
Amortization		<1,006>	<1,006>
March 31, 2008	$127,320	$ 16,230	$ 143,550

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The core deposit intangibles are being amortized to expense principally on the straight-line method, over periods ranging from six to ten years. The amortization period for the Vision Bank and the Millersburg branch purchase core deposit intangibles is six years. Management expects that the core deposit amortization expense will be $1.0 million for the second, third and fourth quarters of 2008.

Core deposit amortization expense is projected to be as follows for each of the following years:

(In Thousands)	Annual Amortization
2008	$ 4,025
2009	$ 3,746
2010	$ 3,422
2011	$ 2,677
2012	$ 2,677
Total	$16,547

Goodwill is evaluated on an annual basis for impairment and otherwise when circumstances warrant. During the fourth quarter of 2007, Park s management determined that the goodwill from the Vision Bank acquisition on March 9, 2007 could possibly be impaired due to the significant deterioration in the credit condition of Vision Bank. Nonperforming loans at Vision Bank increased from $26.3 million at September 30, 2007 to $63.5 million at December 31, 2007 or 9.9% of year-end loan balances. Net loan charge-offs were $6.4 million for the fourth quarter or an annualized 3.99% of average loan balances. Management determined that due to these severe credit conditions, a valuation of the fair value of Vision Bank be computed to determine if the goodwill of $109.0 million was impaired. Management determined that an impairment charge of $54.0 million was appropriate; therefore, the current carrying value of goodwill resulting from the Vision acquisition is $55.0 million at March 31, 2008.

Goodwill for the Ohio-based banks was evaluated during the first quarter of 2008, and no impairment charge was necessary.

Note 3 Allowance for Loan Losses

The allowance for loan losses is that amount believed 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. Commercial loans are individually risk graded. Where appropriate, reserves are allocated to individual loans based on management s estimate of the borrower s ability to repay the loan given the availability of collateral and other sources of cash flow. Homogenous loans, such as consumer installment loans and residential mortgage loans are not individually risk graded. Reserves are established for each pool of loans based on historical loan loss experience, current economic conditions, loan delinquency and other environmental factors.

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The following table shows the activity in the allowance for loan losses for the three months ended March 31, 2008 and 2007.

	Three Months Ended March 31,	
(In Thousands)	2008	2007
Average Loans	$4,229,423	$3,631,168
Allowance for Loan Losses:		
Beginning Balance	$ 87,102	$ 70,500
Charge-Offs:		
Commercial, Financial and Agricultural	421	1,117
Real Estate Construction	2,611	56
Real Estate Residential	3,599	961
Real Estate Commercial	1,100	53
Consumer	2,270	1,777
Lease Financing		
Total Charge-Offs	10,001	3,964
Recoveries:		
Commercial, Financial and Agricultural	216	314
Real Estate Construction		
Real Estate Residential	64	145
Real Estate Commercial	17	250
Consumer	1,050	1,034
Lease Financing	6	21
Total Recoveries	1,353	1,764
Net Charge-Offs	8,648	2,200
Provision for Loan Losses	7,394	2,205
Allowance for Loan Losses of Acquired Banks		9,334
Ending Balance	$ 85,848	$ 79,839
Annualized Ratio of Net Charge-Offs to Average Loans	.82%	.25%
Ratio of Allowance for Loan Losses to End of Period Loans	2.02%	1.95%

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Note 4 Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2008 and 2007.

(Dollars in Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2008	2007
Numerator:		
Net Income	$ 22,978	$ 21,063
Denominator:		
Denominator for Basic Earnings Per Share (Weighted Average Shares Outstanding)	13,964,572	14,121,331
Effect of Dilutive Securities		17,186
Denominator for Diluted Earnings Per Share (Weighted Average Shares Outstanding Adjusted for the Dilutive Securities)	13,964,572	14,138,517
Earnings per Share:		
Basic Earnings Per Share	$ 1.65	$ 1.49
Diluted Earnings Per Share	$ 1.65	$ 1.49

For the three months ended March 31, 2008, options to purchase 601,919 shares of common stock were outstanding but not included in the computation of diluted earnings per share because the respective option exercise prices exceeded the market value of the underlying common shares such that their inclusion would have had an anti-dilutive effect. The amount of 601,919 represented all outstanding options at March 31, 2008. For the three months ended March 31, 2007, options to purchase 652,224 shares of common stock were outstanding but not included in the computation of diluted net income per share due to their having the same anti-dilutive effect as those disclosed for the three months ended March 31, 2008.

Note 5 Segment Information

The Corporation is a multi-bank holding company headquartered in Newark, Ohio. The operating segments for the Corporation are its financial institution subsidiaries. The Corporation s financial institution subsidiaries are The Park National Bank (PNB), The Richland Trust Company (RTC), Century National Bank (CNB), The First-Knox National Bank of Mount Vernon (FKNB), United Bank, N.A. (UB), Second National Bank (SNB), The Security National Bank and Trust Co. (SEC), The Citizens National Bank of Urbana (CIT) and Vision Bank (VIS).

	Operating Results for the Three Months Ended March 31, 2008 (In Thousands)					Balances at March 31, 2008
	Net Interest Income	Provision for Loan Losses	Other Income and Gain on Sale of Securities	Other Expense	Net Income (Loss)	Assets
PNB	$19,451	$ 764	$ 9,159	$12,708	$ 9,906	$ 2,491,954
RTC	4,628	75	1,640	2,612	2,354	537,398
CNB	6,689	50	2,184	4,044	3,159	725,039
FKNB	8,127	575	2,729	4,635	3,719	792,063
UB	1,915		689	1,433	789	204,195
SNB	3,441	290	721	1,953	1,318	447,380
SEC	6,991	340	2,897	5,413	2,851	826,673
CIT	1,211		405	1,032	399	143,508
VIS	6,846	4,800	1,082	6,128	<1,832>	917,869
All Other	2,185	500	<158>	3,319	315	<304,714>
TOTAL	$61,484	$7,394	$21,348	$43,277	$ 22,978	$ 6,781,365

	Operating Results for the Three Months Ended March 31, 2007 (In Thousands)					Balances at March 31, 2007
	Net Interest Income	Provision for Loan Losses	Other Income	Other Expense	Net Income	Assets
PNB	$18,136	$ 620	$ 6,871	$12,869	$ 7,795	$ 2,037,618
RTC	4,276	420	1,223	2,867	1,467	548,437
CNB	6,213	440	1,951	4,205	2,341	719,702
FKNB	7,713	255	1,904	4,635	3,121	761,678
UB	1,871	20	588	1,678	522	209,681
SNB	3,071	40	599	2,051	1,105	392,537
SEC	7,596	140	2,243	5,200	3,057	850,713
CIT	1,309	40	394	1,058	412	154,444
VIS	2,075		266	1,405	581	813,074
All Other	2,638	230	135	3,341	662	<179,829>
TOTAL	$54,898	$2,205	$16,174	$39,309	$21,063	$ 6,308,055

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The operating results of the Parent Company and Guardian Financial Services Company (GFC) in the all other row are used to reconcile the segment totals to the consolidated condensed statements of income for the periods ended March 31, 2008 and 2007. The reconciling amounts for consolidated total assets for both of the periods ended March 31, 2008 and 2007 consist of the elimination of intersegment borrowings, and the assets of the Parent Company and GFC which are not eliminated. The results for Vision Bank for March 31, 2007 are from the acquisition date of March 9, 2007 through March 31, 2007.

Note 7 Stock Option Plans

Park did not grant any stock options during the first quarter of 2008 or the first quarter of 2007. Additionally, no stock options became vested during the first quarter of 2008 or 2007.

The following table summarizes stock option activity during the first three months of 2008.

	Stock Options	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2007	615,191	$ 100.63
Granted		
Exercised		
Forfeited/Expired	<13,272>	100.60
Outstanding at March 31, 2008	601,919	$ 100.63

All of the stock options outstanding at March 31, 2008 were exercisable. The aggregate intrinsic value of the outstanding stock options at March 31, 2008 was $0.

No options were exercised during the first quarter of 2008. The intrinsic value of the stock options exercised during the first quarter of 2007 was $47,000. The weighted average contractual remaining term was 1.8 years for the stock options outstanding at March 31, 2008.

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) and the Park National Corporation 1995 Incentive Stock Option Plan (the 1995 Plan) are to be treasury shares. At March 31, 2008, incentive stock options (granted under both the 2005 Plan and 1995 Plan) covering 590,254 common shares were outstanding. The remaining outstanding stock options at March 31, 2008 covering 11,665 common shares were granted under a stock option plan (the Security Plan) assumed by Park in the acquisition of Security Banc Corporation in 2001. At March 31, 2008, Park held 1,008,681 treasury shares that are allocated for the stock option plans (including the Security Plan).

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Note 8 Loans

The composition of the loan portfolio was as follows at the dates shown:

(In Thousands)	March 31, 2008	December 31, 2007
Commercial, Financial and Agricultural	$ 616,844	$ 613,282
Real Estate:		
Construction	531,657	536,389
Residential	1,504,305	1,481,174
Commercial	997,026	993,101
Consumer	596,847	593,388
Leases	6,684	6,800
Total Loans	$4,253,363	$4,224,134

Note 9 Investment Securities

The amortized cost and fair values of investment securities are shown in the following table. Management evaluates investment securities on a quarterly basis for other-than-temporary impairment. No impairment charges have been deemed necessary in 2008 or 2007. The unrealized losses on debt securities are primarily the result of changes in interest rates and will not prohibit Park from receiving its contractual principal and interest payments.

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(In Thousands)

March 31, 2008 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	$ 157,847	$ 3,698	$	$ 161,545
Obligation of States and Political Subdivisions	40,519	749	20	41,248
U.S. Government Sponsored Entities Asset-Backed Securities and Other Asset-Backed Securities	1,460,769	18,837	423	1,479,183
Equity Securities	2,441	393	534	2,300
Total	$1,661,576	$23,677	$ 977	$1,684,276

March 31, 2008 Securities Held-to-Maturity	Amortized Cost	Gross Unrecognized Holding Gains	Gross Unrecognized Holding Losses	Estimated Fair Value
Obligations of States and Political Subdivisions	$ 13,546	$ 152	$	$ 13,698
U.S. Government Sponsored Entities Asset-Backed Securities and Other Asset-Backed Securities	193,593	96	1,582	192,107
Total	$207,139	$ 248	$ 1,582	$205,805

(In Thousands)

December 31, 2007 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	$ 200,996	$ 2,562	$	$ 203,558
Obligation of States and Political Subdivisions	44,805	716	20	45,501
U.S. Government Sponsored Entities Asset-Backed Securities and Other Asset-Backed Securities	1,224,958	6,292	8,115	1,223,135
Equity Securities	2,293	420	390	2,323
Total	$1,473,052	$ 9,990	$ 8,525	$1,474,517

December 31, 2007 Securities Held-to-Maturity	Amortized Cost	Gross Unrecognized Holding Gains	Gross Unrecognized Holding Losses	Estimated Fair Value
Obligations of States and Political Subdivisions	$ 13,551	$ 127	$	$ 13,678
U.S. Government Sponsored Entities Asset-Backed Securities and Other Asset-Backed Securities	151,870	2	4,136	147,736
Total	$165,421	$ 129	$ 4,136	$161,414

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For the first quarter ended March 31, 2008, the tax equivalent yield on the total investment portfolio was 5.07% and the average maturity was 3.4 years. U.S. Government Sponsored Entities asset-backed securities comprised approximately 86% of the total investment portfolio at the end of the first quarter of 2008. This segment of the investment portfolio consists of fifteen-year mortgage-backed securities and fifteen-year collateralized mortgage obligations.

The average maturity of the investment portfolio would lengthen if long-term interest rates would increase as the principal repayments from mortgage-backed securities and collateralized mortgage obligations would be reduced. Management estimates that the average maturity of the investment portfolio would lengthen to 4.5 years with a 100 basis point increase in long-term interest rates and to 5.0 years with a 200 basis point increase in long-term interest rates. Conversely, management estimates that repayments would increase and that the average maturity of the investment portfolio would decrease to 2.2 years and 1.4 years respectively, with a 100 basis point and 200 basis point decrease in long-term rates.

Note 10 Other Investment Securities

Other investment securities consist of stock investments in the Federal Home Loan Bank and the Federal Reserve Bank. These restricted stock investments are carried at their amortized costs.

(In Thousands)	March 31, 2008	December 31, 2007
Federal Home Loan Bank Stock	$58,209	$56,754
Federal Reserve Bank Stock	6,411	6,411
Total	$64,620	$63,165

Note 11 Benefit Plans

Park has a noncontributory defined benefit pension plan covering substantially all of its employees. The plan provides benefits based on an employee s years of service and compensation.

Park s funding policy is to contribute annually an amount that can be deducted for federal income tax purposes using a different actuarial cost method and different assumptions from those used for financial reporting purposes. Management does not expect to make a pension plan contribution in 2008.

The following table shows the components of net periodic benefit expense.

	Three Months Ended March 31,	
(In Thousands)	2008	2007
Service Cost	$ 863	$ 810
Interest Cost	789	776
Expected Return on Plan Assets	<1,152>	<1,066>
Amortization of Prior Service Cost	8	8
Recognized Net Actuarial Loss		138
Benefit Expense	$ 508	$ 666

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In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132R. This statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its balance sheet, beginning with fiscal year-end December 31, 2006, and to recognize changes in the funded status in the year in which the changes occur through comprehensive income beginning in 2007. Additionally, defined benefit plan assets and obligations are to be measured as of the date of the employer s fiscal year-end, starting in 2008. Park had a pension asset and liability valuation performed as of September 30, 2007, and as a result of the SFAS No. 158 measurement date provisions, Park was required to adjust retained earnings for three-fifteenths (20%) of the estimated expense for 2008. Therefore, Park has charged approximately $0.3 million to retained earnings on January 1, 2008 (net of taxes) to reflect the expense pertaining to three months of pension plan expense.

Note 12 Recent Accounting Pronouncements

In July 2006, the Emerging Issues Task Force (EITF) of FASB issued a draft abstract for EITF Issue No. 06-04, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements (EITF Issue No. 06-04). This draft abstract from EITF reached a consensus that for an endorsement split-dollar life insurance arrangement within the scope of this Issue, an employer should recognize a liability for future benefits in accordance with SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions . The EITF concluded that a liability for the benefit obligation under SFAS No. 106 has not been settled through the purchase of an endorsement type life insurance policy. In September 2006, FASB agreed to ratify the consensus reached in EITF Issue No. 06-04. This new accounting standard was effective for Park beginning January 1, 2008.

At March 31, 2008, Park and its subsidiary banks owned $128.7 million of bank owned life insurance policies. These life insurance policies are generally subject to endorsement split-dollar life insurance arrangements. These arrangements were designed to provide a pre-and postretirement benefit for senior officers and directors of Park and its subsidiary banks. Park s management has completed its evaluation of the impact of the adoption of EITF Issue No. 06-4 on Park s consolidated financial statements. On January 1, 2008, Park charged approximately $11.6 million to retained earnings and recorded a corresponding liability for the same amount.

In Note 1 to Park s 2007 Annual Report, Park reported that the EITF 06-04 charge to retained earnings would be approximately $7.5 million, net of deferred tax and that a corresponding liability of $11.6 million would be recorded. During the first quarter of 2008, management came to the conclusion that the book liability of $11.6 million would be a permanent tax item and the company would not receive a tax deduction. As such, no deferred tax asset was recognized.

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Fair Value Measurements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities . SFAS No. 159 gives entities the option to measure eligible financial assets and financial liabilities at fair value on an instrument by instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The fair value option permits companies to choose to measure eligible items at fair value at specified election dates. Subsequent changes in fair value must be reported in earnings. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management believes that the impact of adoption resulted in enhanced footnote disclosures; however, the adoption did not materially impact the Consolidated Balance Sheets, the Consolidated Statements of Income, the Consolidated Statements of Changes in Stockholders Equity, or the Consolidated Statements of Cash Flows. (See Note 15 to these unaudited consolidated financial statements).

At the February 12, 2008 FASB meeting, the Board decided to defer the effective date of Statement 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 is effective for certain non-financial assets and liabilities for fiscal years beginning after November 15, 2008. Non-financial assets and liabilities may include (but are not limited to); (i) non-financial assets and liabilities initially measured at fair value in a business combination, but not measured at fair value in subsequent periods, (ii) reporting units measured at fair value in the first step of a goodwill impairment test described in SFAS No. 142, and (iii) non-financial assets and liabilities measured at fair value in the second step of a goodwill impairment test described in SFAS No. 142.

Accounting for Written Loan Commitments Recorded at Fair Value

On November 5, 2007, the SEC issued Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value through Earnings (SAB 109). Previously, SAB 105, Application of Accounting Principles to Loan Commitments , stated that in measuring the fair value of a derivative loan commitment, a company should not incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supercedes SAB 105 and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in measuring fair value for all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that internally-developed intangible assets should not be recorded as part of the fair value of a derivative loan commitment, and SAB 109 retains that view. SAB 109 is effective for derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The impact of adoption of this standard was not material.

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Accounting for Business Combinations

On December 4, 2007, the FASB issued Statement No. 141(R), Business Combinations (SFAS No. 141(R)), with the objective to improve the comparability of information that a company provides in its financial statements related to a business combination and its effects. SFAS No. 141(R) establishes principles and requirements for how the acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Statement does not apply to combinations between entities under common control. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

Note 13 Derivative Instruments

Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified into earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction.

During the first quarter of 2008, the Company executed a interest rate swap to hedge a $25 million floating-rate subordinated note that was entered into by Park during the fourth quarter of 2007. The Company s objective in using this derivative is to add stability to interest expense and to manage its exposure to interest rate risk. Our interest rate swap involves the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreement without exchange of the underlying principal amount.

As of March 31, 2008, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

At March 31, 2008, the derivative s fair value of ($874,000) was included in other liabilities. No hedge ineffectiveness on the cash flow hedge was recognized during the quarter. At March 31, 2008, the variable rate on the $25 million subordinated note was 4.67% (LIBOR plus 200 basis points) and Park was paying 6.01% (4.01% fixed rate on the interest rate swap plus 200 basis points).

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For the quarter ended March 31, 2008, the change in the fair value of the derivative designated as a cash flow hedge reported other comprehensive income was $568,000 (net of taxes of $306,000). Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt.

Note 14 Guarantees

Pursuant to the requirements of Financial Accounting Standards Board (FASB) Interpretation 45 (FIN 45), Park recorded a contingent legal liability of $.9 million during the fourth quarter of 2007. This was a result of an announcement Visa made in the fourth quarter of 2007 that it was establishing litigation reserves for the settlement of a lawsuit and for additional potential settlements with other parties. Park recorded the contingent legal liability based on Visa s announcements and Park s membership interest in Visa. Visa had a successful initial public offering (IPO) during the first quarter of 2008. Visa used a portion of the IPO proceeds to fund an escrow account that will be used to pay litigation settlements. As a result of the IPO, Park was able to reverse the entire litigation liability and recognize as income $.9 million during the first quarter of 2008. This is reflected in other income within the unaudited consolidated condensed statement of income.

At the time of the IPO, Park held 132,876 Class B Common Shares of Visa. During the first quarter of 2008, Visa redeemed 51,373 of these shares and paid Park $2.2 million, which was recognized as income in other income within the unaudited consolidated condensed statement of income. The unredeemed shares are recorded at their original cost basis of zero.

Note 15 Fair Value

SFAS No. 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 describes three levels of inputs that Park uses to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Level 1 inputs for assets or liabilities that are not actively traded. Also consists of an observable market price for a similar asset or liability. This includes the use of matrix pricing used to value debt securities absent the exclusive use of quoted prices.

Level 3: Consists of unobservable inputs that are used to measure fair value when observable market inputs are not available. This could include the use of internally developed models, financial forecasting, etc.

Fair value is defined as the price that would be received to sell an asset or transfer a liability between market participants at the balance sheet date. When possible, the Company looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Company looks to observable market data for similar assets and liabilities. However, certain assets and liabilities are not traded in observable markets and Park must use other valuation methods to develop a fair value. The fair value of impaired loans is based on the fair value of the underlying collateral, which is estimated through third party appraisals or internal estimates of collateral values.

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Assets and Liabilities Measured on a Recurring Basis:

The following table presents financial assets and liabilities measured on a recurring basis:

Fair Value Measurements at Reporting Date Using
(In Thousands)

Description	03/31/08	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for Sale Securities	$1,684,276	$ 987	$ 1,680,427	$ 2,862
Interest Rate Swap	<874>		<874>	
Total	$1,683,402	$ 987	$ 1,679,553	$ 2,862

The table below is a reconciliation of the beginning and ending balances of the Level 3 inputs:

Fair Value Measurements at Reporting Date Using
Significant Unobservable Inputs (Level 3)
(In Thousands)

	AFS Securities
Beginning Balance	$ 2,969
Total Unrealized (Losses)/Gains	
Included in Other Comprehensive Income	<107>
Ending Balance	$ 2,862

Assets and Liabilities Measured on a Nonrecurring Basis:

The following table presents financial assets and liabilities measured on a nonrecurring basis:

Fair Value Measurements at Reporting Date Using
(In Thousands)

Description	03/31/08	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FAS 114 Impaired Loans	$87,642			$ 87,642

Impaired loans, which are measured for impairment using the fair value of the collateral, had a carrying amount of $92.4 million, with a valuation allowance of $4.8 million, resulting in an additional provision for loan losses of $1.4 million for the period.

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ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s discussion and analysis contains forward-looking statements that are provided to assist in the understanding of anticipated future financial performance. Forward-looking statements provide current expectations or forecasts of future events and are not guarantees of future performance. The forward-looking statements are based on management s expectations and are subject to a number of risks and uncertainties. Although management believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those expressed or implied in such statements. Risk and uncertainties that could cause actual results to differ materially include, without limitation: deterioration in the asset value of Vision Bank s loan portfolio may be worse than expected; Park s ability to execute its business plan successfully and within the expected timeframe; Park s ability to successfully integrate acquisitions into Park s operations; Park s ability to achieve the anticipated cost savings and revenue synergies from acquisitions; general economic and financial market conditions, either national or in the state in which Park and its subsidiaries do business, are less favorable than expected; Park s ability to convert its Ohio-based community banking subsidiaries and divisions to one operating system and combine their charters; deterioration in credit conditions in the markets in which Park s subsidiary banks operate; changes in the interest rate environment reduce net interest margins; competitive pressures among financial institutions increase significantly; changes in banking regulations or other regulatory or legislative requirements affecting the respective businesses of Park and its subsidiaries; changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies; the effect of critical accounting policies and judgments; demand for loans in the respective market areas served by Park and its subsidiaries, and other risk factors relating to the banking industry as detailed from time to time in Park s reports filed with the Securities and Exchange Commission including those described in Item 1A. Risk Factors of Part I of Park s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and in Item 1A. Risk Factors of Part II of this Quarterly Report on Form 10-Q. Undue reliance should not be placed on the forward-looking statements, which speak only as of the date hereof. Park does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions that may be made to update any forward-looking statement to reflect the events or circumstances after the date on which the forward-looking statement is made, or reflect the occurrence of unanticipated events, except to the extent required by law.

Critical Accounting Policies

Note 1 of the Notes to Consolidated Financial Statements included in Park s 2007 Annual Report to Shareholders lists significant accounting policies used in the development and presentation of Park s consolidated financial statements. The accounting and reporting policies of Park conform with U.S. generally accepted accounting principles and general practices within the financial services industry. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

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Park considers that the determination of the allowance for loan losses involves a higher degree of judgement and complexity than its other significant accounting policies. The allowance for loan losses is calculated with the objective of maintaining a reserve level believed by management to be sufficient to absorb probable incurred credit losses in the loan portfolio. Management s determination of the adequacy of the allowance for loan losses is based on periodic evaluations of the loan portfolio and of current economic conditions. However, this evaluation is inherently subjective as it requires material estimates, including expected default probabilities, loss given default, the amounts and timing of expected future cash flows on impaired loans and estimated losses on consumer loans and residential mortgage loans based on historical loss experience and the current economic conditions. All of those factors may be susceptible to significant change. To the extent that actual results differ from management estimates, additional loan loss provisions may be required that would adversely impact earnings for future periods.

Management s assessment of the adequacy of the allowance for loan losses considers individual impaired loans, pools of homogeneous loans with similar risk characteristics and other environmental risk factors. This assessment is updated on a quarterly basis. The allowance established for individual impaired loans reflects expected losses resulting from analyses developed through specific credit allocations for individual loans. The specific credit allocations are based on regular analyses of commercial, commercial real estate and construction loans where the internal credit rating is at or below a predetermined classification. These analyses involve a high degree of judgement in estimating the amount of loss associated with specific impaired loans.

Pools of homogeneous loans with similar risk characteristics are also assessed for probable losses. A loss migration analysis is performed on certain commercial, commercial real estate and construction loans. These are loans above a fixed dollar amount that are assigned an internal credit rating. Generally, residential real estate loans and consumer loans are not individually graded. The amount of loan loss reserve assigned to these loans is dependent on their net charge-off history.

Management also evaluates the impact of environmental factors which pose additional risks. Such environmental factors include: national and local economic trends and conditions; experience, ability, and depth of lending management and staff; effects of any changes in lending policies and procedures; levels of, and trends in, consumer bankruptcies, delinquencies, impaired loans and charge-offs and recoveries. The determination of this component of the allowance for loan losses requires considerable management judgement.

Park s recent adoption of SFAS No. 157 (See Note 15 to this Form 10-Q) on January 1, 2008 required management to establish a fair value hierarchy, which has the objective of maximizing the use of observable market inputs. This statement also requires enhanced disclosures regarding the inputs used to calculate fair value. These are classified as Level 1, 2, and 3. Level 3 inputs are those with significant unobservable inputs that reflect a company s own assumptions about the market for a particular instrument. Some of this could be based on internal models and cash flow analysis. At March 31, 2008, the Level 3 inputs for Park had an aggregate fair value of approximately $91 million. This was 5.11% of the total amount of assets measured at fair value as of the end of the first quarter. The fair value of impaired loans was approximately $88 million (or 97%) of the total amount of Level 3 inputs. The large majority of Park s Level 2 inputs consist of available for sale (AFS) securities. The fair value of these AFS securities is obtained largely by the use of matrix pricing, which is a mathematical technique widely used in the financial services industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities relationship to other benchmark quoted securities.

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Management believes that the accounting for goodwill and other intangible assets also involves a higher degree of judgement than most other significant accounting policies Statement of Financial Accounting Standards (SFAS) No. 142, Accounting for Goodwill and Other Intangible Assets establishes standards for the amortization of acquired intangible assets and the impairment assessment of goodwill. Goodwill arising from business combinations represents the value attributable to unidentifiable intangible assets in the business acquired. Park s goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of Park s banking subsidiaries to provide quality, cost-effective banking services in a competitive marketplace. The goodwill value is supported by revenue that is in part driven by the volume of business transacted. A decrease in earnings resulting from a decline in the customer base, the inability to deliver cost effective services over sustained periods or significant credit problems can lead to impairment of goodwill that could adversely impact earnings in future periods. SFAS No. 142 requires an annual evaluation of goodwill for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The fair value of the goodwill, which resides on the books of Park s subsidiary banks, is estimated by reviewing the past and projected operating results for the Park subsidiary banks and banking industry comparable information.

During the fourth quarter of 2007, Park s management determined that Vision Bank had significant credit problems and concluded that an impairment analysis needed to be done on the goodwill balance at Vision Bank. As a result of this impairment analysis, Vision Bank recorded a goodwill impairment charge of $54.0 million during the fourth quarter of 2007. This impairment charge reduced the goodwill balance carried on the books of Vision Bank to $55.0 from $109.0 million.

At March 31, 2008, on a consolidated basis, Park had core deposit intangibles of $16.2 million subject to amortization and $127.3 million of goodwill, which was not subject to periodic amortization. The core deposit intangibles recorded on the balance sheets of Park s Ohio-based banks totaled $5.8 million and the core deposit intangibles at Vision Bank were $10.4 million. The goodwill assets carried on the balance sheets of Park s Ohio-based banks totaled $72.3 million and the goodwill balance at Vision Bank was $55.0 million. During the first quarter of 2008, Park s management evaluated the goodwill for Park s Ohio-based banks for impairment and concluded that the fair value of the goodwill for Park s Ohio-based banks exceeded the carrying value and accordingly was not impaired. An impairment analysis was not performed on the goodwill at Vision Bank during the first quarter of 2008 because the impairment analysis was completed for Vision Bank at year-end 2007. Park s management will review the goodwill at Vision Bank for impairment during the fourth quarter of 2008.

Comparison of Results of Operations
For the Three Months Ended March 31, 2008 and 2007

Summary Discussion of Results

Net income for the first quarter of 2008 increased by $1.9 million or 9.1% to $23.0 million compared to $21.1 million for the first three months of 2007. Diluted earnings per share increased by $.16 or 10.7% to $1.65 for the first quarter of 2008 compared to $1.49 for the same period in 2007.

The annualized net income to average asset ratio (ROA) was 1.42% for the first quarter of 2008 and was 1.51% for the same period in 2007. The annualized net income to average equity ratio (ROE) was 16.02% for the first three months of 2008 and was 14.58% for the first quarter of 2007.

Park s management uses certain non-GAAP (generally accepted accounting principles) financial measures to evaluate Park s performance. Specifically, management reviews return on average tangible realized equity (ROTRE) and has included in this Quarterly Report on Form 10-Q information relating to ROTRE for the three-month periods ended March 31, 2008 and 2007. For purposes of calculating the non-GAAP financial measure of ROTRE, annualized net income for each period is divided by average tangible realized equity during the period. Average tangible realized equity equals average stockholders equity during the applicable period less (i) average goodwill and other intangible assets during the period and (ii) average accumulated other comprehensive income (loss), net of taxes, during the period. Management believes that ROTRE presents a meaningful view of Park s operating performance and ensures comparability of operating performance from period to period while eliminating certain non-operational effects of acquisitions and unrealized gains and losses arising from mark-to-market accounting for the fair market value of investment securities.

Reconciliation of average stockholders equity to average tangible realized equity:

	Three Months Ended March 31,	
(In Thousands)	2008	2007
Average Stockholders Equity	$ 576,879	$ 585,702
Less: Avg. Goodwill and Other Intangible Assets	<144,119>	<108,794>
Plus: Avg. Accumulated Other Comprehensive (Income) Loss, Net of Taxes	<7,306>	22,810
Average Tangible Realized Equity	$ 425,454	$ 499,718

The reconciliation is provided for the purpose of complying with SEC Regulations G and not as an indication that return on average tangible realized equity is a substitute for return on average equity as determined in accordance with GAAP.

The ROTRE was 21.72% for the first quarter of 2008 and was 17.09% for the first quarter of 2007.

The following tables compare the components of net income for the first quarter of 2008 and the first quarter of 2007. The summary income statements are for Park, Vision Bank and Park Excluding Vision Bank.

Park-Summary Income Statement

For the Three Months Ended March 31, 2008 and March 31, 2007

	(In Thousands)			
	2008	2007	Change	% Change
Net Interest Income	$61,484	$54,898	$6,586	12.0%
Provision for Loan Losses	7,394	2,205	5,189	235.3%
Other Income	21,039	16,174	4,865	30.1%
Gain on Sale of Securities	309		309	