PARK NATIONAL CORP /OH/
Form 8-K
April 17, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 17, 2012 (April 16, 2012)

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

Ohio	1-13006	31-1179518
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

50 North Third Street, P.O. Box 3500, Newark, Ohio	43058-3500
(Address of principal executive offices)	(Zip Code)

(740) 349-8451
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 – Results of Operations and Financial Condition.

On April 17, 2012, Park National Corporation ("Park") issued a news release (the "Financial Results News Release") announcing financial results for the three months ended March 31, 2012. A copy of this Financial Results News Release is included as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

Park's management uses certain non-GAAP (generally accepted accounting principles) financial measures to evaluate Park's performance. Specifically, management reviews return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share. Management has included in the Financial Results News Release information relating to the return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share for the three month periods ended March 31, 2012 and 2011. For purposes of calculating the return on average tangible common equity, a non-GAAP financial measure, net income available to common shareholders for each period is divided by average tangible common equity during the period. Average tangible common equity equals average stockholders' equity during the applicable period less (i) average goodwill and other intangible assets during the applicable period and (ii) average preferred stock during the applicable period. For the purpose of calculating the return on average tangible assets, a non-GAAP financial measure, net income available to common shareholders for each period is divided by average tangible assets during the period. Average tangible assets equals average assets during the applicable period less average goodwill and other intangible assets during the applicable period. For the purpose of calculating tangible common equity to tangible assets, a non-GAAP financial measure, tangible common equity is divided by tangible assets. Tangible common equity equals stockholders' equity less preferred stock and goodwill and intangible assets. Tangible assets equals total assets less goodwill and intangible assets. For the purpose of calculating tangible common book value per common share, a non-GAAP financial measure, tangible common equity is divided by common shares outstanding at period end. Management believes that the disclosure of return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share presents additional information to the reader of the consolidated financial statements, which, when read in conjunction with the consolidated financial statements prepared in accordance with GAAP, assists in analyzing Park's operating performance and ensures comparability of operating performance from period to period while eliminating certain non-operational effects of acquisitions and, in the case of return on average common equity and tangible common book value per common share, the impact of preferred stock. In the Financial Results News Release, Park has provided a reconciliation of average tangible common equity to average stockholders' equity, average tangible assets to average assets, tangible common equity to stockholders' equity and tangible assets to total assets solely for the purpose of complying with SEC Regulation G and not as an indication that return on average tangible common equity, return on average tangible assets, tangible common equity to tangible assets and tangible common book value per common share are substitutes for return on average equity, return on average assets, common equity to assets and common book value per common share, respectively, as determined by GAAP.

Item 7.01 – Regulation FD Disclosure

The following is a discussion of the financial results for the three months ended March 31, 2012 and a comparison of these results to the guidance previously provided within the Annual Report to Shareholders for the fiscal year ended December 31, 2011 (the "2011 Annual Report").

The table below reflects the results for Park for the first quarter of 2012, compared to the same period in 2011 and an updated projection for the next nine months of 2012.

Park (In thousands)	First Quarter 2012	First Quarter 2011	Projected Q2 - Q4 2012	2012 Projected
Net Interest Income	$61,728	$69,313	$ 177,000	$235,000 - $245,000
Provision for Loan Losses	9,000	14,100	18,000	23,000 – 30,000
Fee Income	17,453	15,030	48,000	62,000 – 66,000
Security Gains	-	6,635	-	-
Gain from Sale of Vision	22,167	-	-	22,167
Total Other Expense	47,808	46,346	125,000	170,000 – 175,000
Income Before Taxes	$44,540	$30,532	$ 82,000	$125,000 - $129,000
Federal Income Taxes	13,065	8,336	21,000	(34,000) – (35,000)
Net Income	$31,475	$22,196	$ 61,000	$92,000 - $96,000
Net Income Excluding Gains	$17,066	$17,883	$ 61,000	$78,000 - $82,000

The line item "Net Income Excluding Gains" excludes gains from the sale of securities for the quarter ended March 31, 2011 and excludes the gain from the sale of Vision for the first quarter of 2012.

Net Interest Income

Net interest income for the first quarter of 2012 was $61.7 million compared to $69.3 million for the same period in 2011. Park's net interest margin was 3.97% for the first three months of 2012 compared to 4.21% for the same period in 2011. The reduction in net interest income was expected based on the sale of Vision Bank, which closed on February 16, 2012.

On page 38 of the 2011 Annual Report, management stated that average interest earning assets were expected to be approximately $6.2 billion for 2012, which is consistent with management's latest projection. Also, on page 38 of the

2011 Annual Report, management stated that net interest income for 2012 was expected to be within the range of $240 million to $250 million and that the net interest margin for 2012 would be between 3.88% and 3.98%. Management's latest projection anticipates a modest decline in the expected range of net interest income, now between $235 million and $245 million. In addition, the latest projection anticipates that the net interest margin will be within a range of 3.80% to 3.90%, again, a modest decline from the previous guidance in the 2011 Annual Report.

Provision for Loan Losses

Provision for loan losses for the first three months of 2012 was $9 million compared to $14.1 million for the same period in 2011. The provision was split between The Park National Bank ("PNB"), Guardian Financial Services Company ("GFC"), and SE Property Holdings, LLC ("SE LLC"). During the first quarter of 2012, a significant portion of the non-performing impaired loans at SE LLC were re-appraised, resulting in some reductions in collateral value and a corresponding loan loss provision of $4.1 million recognized at SE LLC.

SE LLC, as a non-bank subsidiary, is not permitted to carry an allowance for loan loss, but instead must record loans on its balance sheet at fair value. Given this requirement, both the performing and nonperforming retained loan portfolios have been charged down to their fair value, as noted in the table below:

SE LLC - Retained Vision Bank Loan Portfolio
Charge-offs as a percentage of unpaid principal balance
March 31, 2012

(In thousands)	Unpaid Principal Balance	Charge-Offs	Net Book Balance	Charge-off Percentage
Nonperforming loans - retained by SE LLC	$160,858	$ 78,532	$82,326	49 %
Performing loans - retained by SE LLC	17,348	1,225	16,123	7 %
Total SE LLC loan exposure	$178,206	$ 79,757	$98,449	45 %

As part of the transaction between Vision Bank and Centennial Bank ("Centennial") and its parent Home BancShares, Inc. ("Home"), Park agreed to allow Centennial to "put back" up to $7.5 million aggregate principal amount of loans, which were originally included within the loans sold in the transaction. The loan put option expires 180 days after the closing of the transaction, which was February 16, 2012. While it remains uncertain the total principal amount of loans which may be put back by Centennial and the potential loss exposure that may be recognized in connection with any loans repurchased, Park recorded a loan loss provision of $662,000 in respect of the Centennial put option during the first quarter of 2012.

On page 41 of the 2011 Annual Report, management stated that the loan loss provision for 2012 was expected to be within the range of $20 million to $27 million. While management expects that each of the next three quarters in 2012 will have a loan loss provision less than the first quarter, the projected range for the twelve months ended December 31, 2012 has been increased. Management now expects the loan loss provision to be within the range of $23 million to $30 million for 2012.

Fee Income

Fee income was $17.5 million for the first quarter of 2012 compared to $15.0 million for the same period in 2011. The increase from the prior year can be attributed to a decline in other real estate ("OREO") devaluations, increases in other service income (non-yield loan fees), and increases in checkcard fee income (debit/credit card interchange income). OREO devaluations declined by $1.2 million to $1.4 million for the first quarter of 2012 compared to $2.6 million for the same period in 2011. Other service income was $0.4 million higher in the first quarter of 2012 compared to the same period in 2011. Mortgage origination volume was strong in the first quarter of 2012 and as of March 31, 2012, the mortgage loan pipeline continued to be strong.

On page 40 of the 2011 Annual Report, management stated that fee income was anticipated to be within the range of $62 million to $66 million, excluding any gains resulting from the sale of Vision Bank. Management's latest projections of fee income for 2012 are unchanged from those in the 2011 Annual Report.

Gain from the Sale of Vision Bank

On February 16, 2012, the purchase and assumption transaction between Park and Vision Bank and Home and Centennial was completed. Centennial purchased certain assets and assumed certain liabilities of Vision Bank for a purchase price of $27.9 million. Centennial purchased performing loans with an unpaid principal balance of approximately $354 million, assumed ownership or operation of all 17 Vision Bank office locations, and assumed deposit liabilities of approximately $520 million. Certain other miscellaneous assets and liabilities were also purchased by Centennial. The remaining assets and liabilities were retained by Vision Bank, which Park subsequently merged with and into a non-bank subsidiary of Park, SE LLC.

As a result of the transaction, Park recorded a pre-tax gain of $22.2 million, net of expenses directly related to the transaction. The transaction also resulted in a decline in total assets during the first quarter of 2012.

Other Expense

Operating expenses were $47.8 million for the three months ended March 31, 2012 compared to $46.3 million for the same period in 2011, an increase of $1.5 million. Professional fees have increased by $0.7 million and amortization of core deposit intangibles increased by $1.1 million. The professional fees increase consists of higher legal expenses, mostly at SE LLC, resulting from Park’s efforts to resolve non-performing loans and OREO. The increase in amortization expense in the first quarter was the result of the sale of Vision.

On page 40 of the 2011 Annual Report, management stated that total other expense was expected to be within the range of $170 to $175 million for 2012. Management’s most recent projection of total other expense remains unchanged from those in the 2011 Annual Report.

Income Taxes

Federal income taxes were $13.1 million for the first quarter of 2012 compared to $8.3 million for the first quarter of 2011. The effective federal income tax rate for the first quarter of 2012 was 29.3% compared to 27.3% for the same period in 2011. The difference between the statutory federal income tax rate of 35% and Park’s effective tax rate is the permanent tax differences, primarily consisting of low income housing tax credits, bank owned life insurance income, and dividends paid on shares held within Park’s salary deferral plan. Park expects permanent differences for 2012 to be approximately $10 million.

The table below reflects the net income by segment for the first quarter of 2012 and each of the prior three fiscal years ended December 31, 2011, 2010, and 2009.

(In thousands)	First Quarter 2012	2011	2010	2009
PNB	$ 21,561	$106,851	$102,948	$101,458
GFC	806	2,721	2,006	1,752
Park Parent Company	49	(1,595)	(1,439)	1,092
Total of ongoing operations	$ 22,416	$107,977	$103,515	$104,302
Vision Bank	-	(22,526)	(45,414)	(30,110)
SE LLC	9,059	(3,311)	-	-
Total Park	$ 31,475	$82,140	$58,101	$74,192

The gain in the first quarter of 2012 resulting from the sale of Vision Bank, of $22.2 million ($14.4 million after-tax), is included within the results for SE LLC, which is a wholly-owned non-bank subsidiary of Park. PNB recognized pre-tax gains from the sale of investment securities in 2009, 2010 and 2011 in the amounts of $7.3 million, $11.9 million and $23.6 million, respectively. The after-tax impact in 2009, 2010 and 2011 resulted in an increase to net income of $4.8 million, $7.7 million and $15.4 million, respectively.

The “Park Parent Company” above excludes the results for SE LLC. Management considers the “Ongoing operations” sub-total to be the business on a going forward basis once the problem assets at SE LLC are resolved and wound down. The first quarter results for the total ongoing operations from the above table would equate to approximately $90 million on an annualized basis.

The table below reflects the results for PNB for the first quarter of 2012, compared to the same period in 2011 and an updated projection for the next nine months of 2012.

PNB (In thousands)	First Quarter 2012	First Quarter 2011	Projected Q2 - Q4 2012	2012 Projected
Net Interest Income	$55,846	$60,236	$ 169,000	$224,000 - $227,000
Provision for Loan Losses	4,672	4,975	12,000	16,000 - 20,000
Fee Income	16,661	16,262	49,000	65,000 - 68,000
Security Gains	-	6,635	-	-
Total Other Expense	38,056	36,321	112,000	148,000 - 151,000
Income Before Taxes	$29,779	$41,837	$ 94,000	$123,000 - $126,000
Federal Income Taxes	(8,218)	(12,808)	(26,800)	(35,000)
Net Income	$21,561	$29,029	$ 67,200	$88,000 - $91,000
Net Income Excluding Security Gains	$21,561	$24,717	$ 67,200	$88,000 - $91,000

The results for PNB continue to be excellent. Management previously projected 2012 results for PNB within a Current Report on Form 8-K dated January 23, 2012 (the “January 23, 2012 8-K”). In the January 23, 2012 8-K, management projected net interest income for PNB of approximately $231 million for 2012. Due to the continued low interest rate environment, management has lowered the expectations for PNB’s net interest income for the remainder of 2012, resulting in a new range of $224 million to $227 million. With the exception of net interest income, management’s latest projections for PNB are consistent with the projections in the January 23, 2012 8-K.

The table below reflects the results of GFC for the first quarter of 2012, compared to the same period in 2011 and an updated projection for the next nine months of 2012.

GFC (In thousands)	First Quarter 2012	First Quarter 2011	Projected Q2 - Q4 2012	2012 Projected
Net Interest Income	$ 2,211	$ 2,025	$ 6,700	$ 8,900
Provision for Loan Losses	250	525	900	1,150
Operating Expenses	721	577	2,000	2,700
Income Before Taxes	1,240	923	3,800	5,050
Federal Income Taxes	(434)	(323)	(1,330)	(1,770)
Net Income	$ 806	$ 600	$ 2,470	$ 3,280

In the January 23, 2012 8-K, management stated that GFC was expected to make net income of $2.9 million in 2012. Management’s latest projection reflects that GFC should make approximately $3.3 million. This improvement is the result of an anticipated lower provision for loan losses based on credit analysis performed by GFC’s management.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Park cautions that any forward-looking statements contained in this Current Report on Form 8-K or made by management of Park 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. Risks and uncertainties that could cause actual results to differ materially include, without limitation: deterioration in the asset value of Park's loan portfolio may be worse than expected due to a number of factors, such as adverse changes in economic conditions that impair the ability of borrowers to repay their loans, the underlying value of the collateral could prove less valuable than assumed and cash flows may be worse than expected; Park's ability to sell OREO properties at prices as favorable as anticipated; Park's ability to execute its business plan successfully and within the expected timeframe; general economic and financial market conditions, and weakening in the economy, specifically the real estate market and the credit market, either nationally or in the states in which Park and its subsidiaries do business, may be worse than expected which could decrease the demand for loan, deposit and other financial services and increase loan delinquencies and defaults; changes in interest rates and prices may adversely impact the value of securities, loans, deposits and other financial instruments and the interest rate sensitivity of our consolidated balance sheet; changes in consumer spending, borrowing and saving habits; changes in unemployment; asset/liability repricing risks and liquidity risks; our liquidity requirements could be adversely affected by changes in our assets and liabilities; competitive factors among financial services organizations increase significantly, including product and pricing pressures and our ability to attract, develop and retain qualified bank professionals; the nature, timing and effect of changes in banking regulations or other regulatory or legislative requirements affecting the respective businesses of Park and its subsidiaries, including changes in laws and regulations concerning taxes, accounting, banking, securities and other aspects of the financial services industry, specifically the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), as well as future regulations which will be adopted by the relevant regulatory agencies, including the Consumer Financial Protection Bureau, to implement the Dodd-Frank Act's provisions; the effect of changes in accounting policies and practices, as may be adopted by the Financial Accounting Standards Board, the SEC, the Public Company Accounting Oversight Board and other regulatory agencies, and the accuracy of our assumptions and estimates used to prepare our financial statements; the effect of fiscal and governmental policies of the United States federal government; adequacy of our risk management program; a failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors and other service providers, including as a result of cyber attacks; 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, 2011. 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.

Item 8.01 – Other Events

Declaration of Cash Dividend

As reported in the Financial Results News Release, on April 16, 2012, the Park Board of Directors declared a $0.94 per share quarterly cash dividend in respect of Park's common shares. The dividend is payable on June 8, 2012 to common shareholders of record as of the close of business on May 23, 2012. A copy of the Financial Results News Release is included as Exhibit 99.1 and the portion thereof addressing the declaration of the cash dividend by Park's Board of Directors is incorporated by reference herein.

Item 9.01 – Financial Statements and Exhibits.

(a)	Not applicable
(b)	Not applicable
(c)	Not applicable

(d) Exhibits. The following exhibit is included with this Current Report on Form 8-K:

Exhibit No.	Description
99.1	News Release issued by Park National Corporation on April 17, 2012 addressing operating results for the three months ended March 31, 2012.

[Remainder of page intentionally left blank;

signature on following page.]

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	PARK NATIONAL CORPORATION
Dated: April 17, 2012	By: /s/ John W. Kozak John W. Kozak Chief Financial Officer

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Dated April 17, 2012

Park National Corporation

Exhibit No.	Description
99.1	News Release issued by Park National Corporation on April 17, 2012 addressing operating results for the three months ended March 31, 2012.

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PLAY: inline; FONT-SIZE: 12pt; FONT-FAMILY: Times New Roman, serif;">Under the relevant PRC laws and regulations, the proposed issuance of Bonds with Warrants is subject to (i) approval from Shareholders at the EGM; and (ii) approvals from the relevant PRC regulatory authorities.

VI. DEFINITIONS

In this announcement, the following expressions have the following meaning unless the context requires otherwise:

"A Shares"	Renminbi-denominated ordinary domestic shares with nominal value of RMB 1.00 each in the share capital of Sinopec Corp. and which are listed on the Shanghai Stock Exchange
"Articles of Association"	the articles of association of Sinopec Corp.
"Board of Directors"	the board of directors of Sinopec Corp.
"Bonds with Warrants"	up to RMB 30 billion in the principal amount of bonds with detachable warrants which are convertible into new A Shares of Sinopec Corp., proposed to be issued by Sinopec Corp. within the Mainland China and to be listed on the Shanghai Stock Exchange

"CSRC"	the China Securities Regulatory Commission of the PRC
"Domestic Shares"	Shares issued by Sinopec Corp. under PRC law, the par value of which is denominated in Renminbi, and which are subscribed for in Renminbi
"EGM"	the extraordinary general meeting of Sinopec Corp. to be held on 15 November 2007 at 9 00 a.m. at Crowne Plaza Beijing-Park View Wuzhou, No.8 North Si Huan Zhong Road, Chaoyang District, Beijing, the PRC.
"H Shares"	overseas listed foreign shares in the Sinopec Corp.'s share capital, with a nominal value of

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	RMB 1.00 each, which are listed on the Hong Kong Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Mainland China"	the PRC excluding the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"NDRC"	the National Development and Reform Commission
"Offering Memorandum"	the offering memorandum in relation to the proposed issuance of the Bonds with Warrants
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of PRC
"Share(s)"	the H Share(s) and A Share(s) of Sinopec Corp.
"Shareholders"	holders of the Shares
"Sinopec Corp."	China Petroleum & Chemical Corporation
"State Council"	The State Council of the PRC
"Warrants"	detachable warrants that comes with the Bonds with Warrants, convertible into new A Shares of Sinopec Corp.

By Order of the Board

China Petroleum & Chemical Corporation

Chen Ge

Secretary to the Board of Directors

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Beijing, PRC, 27 September 2007

As at the date of this Announcement, the directors of Sinopec Corp are Messrs. Su Shulin, Zhou Yuan*, Wang Tianpu#, Zhang Jianhua#, Wang Zhigang#, Dai Houliang#, Fan Yifei*, Yao Zhongmin*, Shi Wanpeng+, Liu Zhongli+ and Li Deshui+.*

 # Executive Directors

** Non-executive Directors*

+ Independent Non-executive Directors

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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0386)

Announcement on Resolutions Passed at The Fifteenth Meeting of the Third Session of the Board of Directors (Overseas Regulatory Announcement)

China Petroleum & Chemical Corporation and all members of its board of directors warrant the authenticity, accuracy and completeness of the information contained in this announcement, and jointly and severally accept full responsibility for any misrepresentation, misleading statements or material omissions contained in this announcement.

The Fifteenth Meeting of the Third Session (**"Sinopec Corp."**) of the Board of Directors (the "**Board of Directors**") of China Petroleum & Chemical Corporation (the **"Company")** was convened by way of written resolutions in Beijing on 27 September 2007. All of the directors attended the Meeting and considered and reviewed the proposals in relation to the issuance of convertible Bonds with detachable warrants and the issuance of domestic corporate bonds for the construction of Sichuan-to-East China Gas Project of Sinopec Corp. in 2007. The following resolutions were passed at the Meeting with the unanimous consent of all the attending directors of Sinopec Corp.:

I. THE RESOLUTION RELATING TO THE PROPOSAL FOR THE ISSUANCE OF BONDS WITH DETACHABLE WARRANTS WAS APPROVED

In accordance with the relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and the Administration Measures for the Issuance of Securities by Listed Companies issued by the CSRC, the Board of Directors of Sinopec Corp. conducted a review and took the view that Sinopec Corp. has satisfied the criteria for the issuance of bonds with detachable warrants (the "**Bonds with Warrants**")in the Mainland China. The Board of Directors considered and approved the proposal for the issuance of the Bonds with Warrants with details as follows:

1. Issuance Size

This issuance of Bonds with Warrants will be in an amount of not more than RMB30,000,000,000 with no more than 300,000,000 certificates of bonds to be issued. It will be proposed at the EGM to authorise the Board of Directors, subject to the condition that the aggregate amount of the proceeds raised after full exercise of the Warrants attached to the bonds shall not exceed the total amounts of the bonds proposed to be issued, to determine the details of the size of issuance and the number of Warrants attached to the bonds in accordance with market conditions.

2. Issuance Price

The Bonds with Warrants will be issued at par with a nominal value of RMB100 each. The Warrants attached to the bonds are to be distributed to the subscribers of the bonds on a pro rata basis without any additional fees.

3. Issuance Target, Method of Issuance and Arrangement of Sale to Existing Shareholders

The issuance target is institutional investors having maintained Shareholders' account for ordinary shares in RMB (A Shares) at the Shanghai Stock Exchange and the public investors (except for those prohibited under the laws and regulations of the State). Existing holders of Sinopec Corp.'s A Shares are entitled to preferential subscription rights in respect of the proposed issue of the Bonds with Warrants. Not less than 60% of the proposed issuance will be reserved for preferential subscription for existing holders of Sinopec Corp.'s A Shares. The remaining portion and the portion not taken up by existing holders of Sinopec Corp.'s A Shares will be issued to qualified investors according to market condition.

4. Term of the Bonds

Six years since the date of issuance of the Bonds with Warrants.

5. Interest Rate of the Bonds with Warrants

It will be proposed at the EGM to authorise the Board of Directors to determine the interest rate and the method of determining the interest rate according to market conditions together with the main underwriter(s). The interest rate will be disclosed in the Offering Memorandum for the Bonds with Warrants.

6. Term and Method of Repayment for Principal and Interest

Interest will be paid once a year after the date of issuance. Within five trading days after the expiry date of the Bonds with Warrants, Sinopec Corp. will repay all the matured bonds according to the nominal value of the bonds together with interest accrued for the period concerned.

7. Term of Redemption

If the application of the proceeds from the proposed issuance of bonds is substantially different from the application of proceeds disclosed in the Offering Memorandum (the "**Change**"), and (i) according to CSRC's relevant regulations, the Change can be regarded as a change of use of proceeds; or (ii) the Change is regarded by the CSRC as a change of use of proceeds, then the holders of the bonds are entitled to demand redemption of the bonds by Sinopec Corp. at the nominal value together with the interest accrued for the period concerned for one time.

8. Guarantee

It will be proposed at the EGM to authorise the Board of Directors to determine whether the proposed issuance of the Bonds with Warrants requires a guarantee by China Petrochemical Corporation in accordance with the market conditions, and to complete the relevant matters accordingly.

9. Term of the Warrants

Twenty four (24) months since the listing of the Warrants at the Shanghai Stock Exchange in the PRC.

10. Conversion Period of the Warrants

The holders of the Warrants are entitled to exercise the Warrants five (5) trading days prior to the end of the term of the Warrants.

11. Proportion of Exercise Rights for the Warrants

The proportion of exercise rights for the Warrants attached with this proposed issuance is 1:1. One Warrant represents the conversion rights to one A share issued by Sinopec Corp.

12. Exercise Price of the Warrants

The exercise price of Warrants which represent one A share of Sinopec Corp. will be determined according to the following principles: the exercise price shall not be lower than the average price of: Sinopec Corp.'s A Shares as quoted for twenty (20) trading days before the date of issuance of the Offering Memorandum and the average price of Sinopec Corp.'s A Shares one (1) trading day before the date of issuance of the Offering Memorandum, Sinopec Corp.'s H Shares as quoted for twenty (20) trading days before the date of issuance of the Offering Memorandum and the average price of Sinopec Corp.'s H Shares one (1) trading day before the date of issuance of the Offering Memorandum. The details of the exercise price and the method of determination will be proposed at the EGM to authorize the Board of Directors for determination in accordance with the market conditions, relevant regulations and negotiations with the main underwriter(s) to the extent of the scope set out hereinabove.

13. Adjustment of the exercise price of the Warrants

During the term of the Warrants, in the event that the trading of A Shares of Sinopec Corp. is on ex-rights or ex-dividend basis, the exercise price and the proportion of exercise rights for the Warrants shall be adjusted accordingly.

(1) When the trading of A Shares of Sinopec Corp. is on ex-rights basis, the exercise price and the proportion of exercise rights for the Warrants shall be adjusted according to the formula as follows:

New exercise price = Existing exercise price x (the reference price of A Shares of Sinopec Corp. on the ex-rights day / the closing price of A Shares of Sinopec Corp. on the trading day before the ex-rights day);

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New proportion of exercise rights = Existing proportion of exercise rights x (the closing price of A Shares of Sinopec Corp. on the trading day before the ex-rights day / the reference price of A Shares of Sinopec Corp. on the ex-rights day).

(2) When the trading of A Shares of Sinopec Corp. is on ex-dividend basis, the proportion of exercise rights for the Warrants remained unchanged, and the exercise price shall be adjusted according to the formula as follows:

New exercise price = Existing exercise price x (the reference price of A Shares of Sinopec Corp. on the ex-dividend day / the closing price of A Shares of Company on the trading day before the ex-dividend day).

14. Use of Proceeds from the Proposed Issuance

The proceeds from the issuance of the bonds will be applied towards the Sichuan-to-East China Gas Project, Tianjin 1 million tpa ethylene project, ZhenHai 1 million tpa ethylene project, and towards the repayment of bank borrowings. The proceeds from the exercise of the Warrants will be applied towards the Tianjin 1 million tpa ethylene project, Wuhan 0.8 million tpa ethylene project, Shengli Oilfield key production capacity construction and production capacity construction on the new Tahe Oilfied areas.

In the event that the proceeds raised from this issuance are not sufficient to finance these projects, or the availability of the proceeds is not consistent with the progress of these projects, Sinopec Corp. will complete the investment in the projects with its own resources, bank borrowings or by other ways of debt financing. Once the proceeds are sufficient, Sinopec Corp. will prioritise their use according to the needs of the projects stated above. Any surplus from the proceeds raised will be applied to repay bank borrowings and supplement working capital.

Sinopec Corp. will maintain a separate account for the proceeds as determined by the Board of Directors so as to administer the proceeds under a separate deposit system.

15. Validity of the Resolution

The resolutions approving the proposed issuance of the Bond with Warrants to be passed at the EGM will be valid for twelve months, starting from the date of the passing of the resolutions.

16. Authorisations to the Board of Directors to complete matters related to the Proposed Issuance

To ensure that this proposed issuance of the Bond with Warrants by Sinopec Corp. is smoothly effected, it is submitted to the EGM that the Board of Directors be authorized to complete matters related to the Proposed Issuance as follow:

(1) Subject to the laws, regulations and other regulatory documents and to the extent of the scope as permitted by the Articles of Association, the Board of Directors will be authorised to determine the specific terms and proposal prior to the proposed

issuance in accordance with the requirements of the regulatory authorities and in view of the actual conditions of Sinopec Corp., to formulate and implement the final proposal for the Bonds with Warrants and to decide on the timing of such issuance.

(2) The Board of Directors will be authorised to determine the specific arrangements on the use of proceeds as stated above, for instance, if the Chinese government announce new regulations in relation to the issue of Bonds with Warrants, or the regulatory agencies have new requirements, or there are changes in market conditions, the Board of Directors will, subject to the applicable laws in Mainland China at that time, adjust the issuance proposal and use of proceeds accordingly;

(3) The Board of Directors will be authorised to produce, amend, file the application material of the proposed issuance according to the requirements of the securities regulatory agencies;

(4) The Board of Directors will be authorised to amend, supplement, execute, submit, report and implement the agreements, contracts and documents (including but not limited to guarantee contracts and underwriting and sponsorship agreements) during the course of the proposed issuance;

(5) After the period for exercising the warrants, the Board of Directors will be authorised to amend the relevant provisions of the Articles of Association, and to complete the filing and change of registration in accordance with the actual exercise condition;

(6) The Board of Directors will be authorised to determine the sponsors (lead underwriters) and other intermediaries of the proposed issuance;

(7) The Board of Directors will be authorised to complete matters relating to the listing of the Bonds with Warrants;

(8) The Board of Directors will be authorised to complete other matters relating to the proposed issuance.

The proposed issue of Bonds with Warrants is subject to the obtaining of the approvals from Shareholders at the EGM and the approval of the CSRC.

II. THE REPORT RELATING TO FEASIBILITY OF THE USE OF THE PROCEEDS FROM THIS ISSUANCE TO THE PROJECTS TO BE INVESTED WAS APPROVED

III. THE DESCRIPTION PREPARED BY THE BOARD OF DIRECTORS ON THE USE OF PROCEEDS FROM THE PREVIOUS ISSUANCE WAS APPROVED

The Description Prepared By the board of Directors on the Use of Proceeds from the Previous Issuance was reviewed and approved.

In addition, the "Special Review Report on the Use of Proceeds from the Previous Issuance of China Petroleum & Chemical Corporation" (KPMG –A (2007) ORNo.0214) was issued by KPMG Huazhen on 27 September 2007.

IV. THE PROPOSAL ON CONVENING THE THIRD EXTRAORDINAY GENERAL MEETING OF SINOPEC CORP. FOR THE YEAR 2007 ON 15 NOVEMBER 2007 WAS APPROVED

The first, the second and the third proposals above will be submitted to the Third Extraordinary General Meeting of Sinopec Corp. for the year 2007 to be convened on 15 November 2007 for approval.

V. THE PROPOSAL FOR THE ISSUANCE OF DOMESTIC CORPORATE BONDS BY SINOPEC CORP. FOR THE CONSTRUCTION OF SICHUAN-TO-EAST CHINA GAS PROJECT IN 2007 WAS APPROVED

1. The proposal for the issuance of domestic corporate bonds by Sinopec Corp ("**Bonds**") in an amount of not more than RMB20,000,000,000 in accordance with the extent of the general mandate granted by the general meeting of shareholders of Sinopec Corp. was approved. The preliminary issuance scheme relating to the Bonds was also approved with details as follows:

1.1 Name of the Bonds: domestic corporate bonds issued for the construction of Sichuan-to-East China Gas Project of Sinopec Corp. in 2007;

1.2 Issuance Size: RMB20,000,000,000;

1.3 Term and types of the Bonds: a portfolio consisted of two types of the Bonds will be adopted. One type of the Bonds has a term of 10 years with fixed interest rate, the proposed issuance size of which is RMB10,000,000,000; the other has a term of 5 years with fixed interest rate, the proposed issuance size of which is RMB10,000,000,000.

1.4 Interest Rates of the Bonds: Fixed interest rates will be adopted for the Bonds, among which the nominal annual interest rate for bonds with a 5-year term is expected to be 4.8%-5.1% whereas the nominal annual interest rate for bonds with a 10-year term is expected to be 5.3%-5.6%. The final nominal annual interest rate for the Bonds to be issued will be determined according to the way of competitive bidding made by the Underwriters.

1.5 Method of Issuance: Bookbuilding of corporate bonds on a real-name base. The bonds subscribed by the investors will be deposited in the primary escrow accounts established in China Government Securities Depository Trust &Clearing Co. Ltd.("**CDC**").

1.6 Issuance Price: The Bonds will be issued with a nominal value of RMB100 each, emission at par.

1.7 Method of Underwriting: Remaining portion will be underwritten by the underwriters.

1.8 Method of Repayment for Principal and Interest: Interest will be paid once a year after the date of issuance. Upon the maturity of the Bonds, Sinopec Corp. will repay the entire amount of the principal together with interest accrued during the last term.

1.9 Guarantee: An irrevocable guarantee on joint liabilities will be provided by China Petrochemical Corporation in relation to theBonds.

1.11 Issuance Scope and Target: The entire amount of the Bonds based on fixed interest rates will be placed to the qualified institutional investors in PRC (except for those prohibited under the laws and regulations of PRC) through the issuance outlets established by the underwriters.

1.12 Listing Arrangements: The Bonds will be listed on the intra-bank bond markets nationwide.

1.13 The entire amount of the proceeds raised from the proposed issuance will be applied to the construction of the Sichuan-to-East China Gas Project.

The approval in relation to the issuance of domestic corporate bonds for the construction of Sichuan-to-East China Gas Project of Sinopec Corp. in 2007 will expire 12 months after the adoption of this resolution.

2. Mr. Liu Yun, Vice-Chief Financial Officer of Sinopec Corp., was authorized to process all the issues relating to the issuance of the Bonds, including, without limitation, the determination of the specific terms and conditions for the issuance of the Bonds and related issues in accordance with the requirements of Sinopec Corp. and market conditions, the execution and submission of all the necessary legal documents to the competent authorities, etc.

By Order of the Board

China Petroleum & Chemical Corporation

Chen Ge

Secretary to the Board of Directors

Beijing, the PRC, 27 August 2007

As at the date of this Announcement, the directors of Sinopec Corp are Messrs. Su Shulin, Zhou Yuan, Wang Tianpu#, Zhang Jianhua#, Wang Zhigang#, Dai Houliang#, Fan Yifei*, Yao Zhongmin*, Shi Wanpeng+, Liu Zhongli+ and Li Deshui+.*

 # Executive Directors

** Non-executive Directors*

+ Independent Non-executive Directors

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Petroleum & Chemical Corporation

By: /s/ Chen Ge

Name: Chen Ge

Title: Secretary to the Board of Directors

Date: September 28, 2007