MVB FINANCIAL CORP
Form 10-Q
May 15, 2014
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United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File number 000-50567

MVB Financial Corp.

(Exact name of registrant as specified in its charter)

West Virginia	**20-0034461**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

301 Virginia Avenue

Fairmont, West Virginia 26554-2777

(Address of principal executive offices)

304-363-4800

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant has (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No 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 o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes o No x

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

As of May 15, 2014, the number of shares outstanding of the issuer s only class of outstanding common stock was 8,025,409.

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MVB Financial Corp.

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Part I. Financial Information

Item 1. Financial Statements

MVB Financial Corp. and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands except per share data)

	March 31 2014 (Unaudited)	December 31 2013 (Note 1)
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 17,294	$ 28,907
Interest bearing balances	15,318	10,936
Total cash and cash equivalents	32,612	39,843
Certificates of deposits in other banks	9,427	9,427
Investment securities:		
Securities available-for-sale	104,592	106,411
Securities held-to-maturity (fair value of $55,741 for 2014 and $54,118 for 2013)	56,823	56,670
Loans held for sale	50,201	89,186
Loans:	675,558	622,305
Less: Allowance for loan losses	(5,451)	(4,935)
Net loans	670,107	617,370
Bank premises, furniture and equipment	18,926	16,919
Bank owned life insurance	16,219	16,062
Accrued interest receivable and other assets	20,739	17,393
Goodwill	17,779	17,779
Total assets	$ 997,425	$ 987,060
Liabilities		
Deposits		
Non-interest bearing	$ 56,834	$ 63,336
Interest bearing	697,806	632,475
Total deposits	754,640	695,811
Accrued interest, taxes and other liabilities	7,372	6,878
Repurchase agreements	71,498	81,578
FHLB and other borrowings	60,480	104,647
Subordinated debt	4,124	4,124
Total liabilities	898,114	893,038
Stockholders equity		
Preferred stock, par value $1,000, 20,000 shares authorized and 8,500 shares issued	8,500	8,500
Common stock, par value $1, 10,000,000 shares authorized; 7,946,818 and 7,705,894 shares issued; and 7,844,664 and 7,603,740 shares outstanding in 2014 and 2013, respectively	7,947	7,706
Additional paid-in capital	73,190	69,601
Retained earnings	14,480	13,343

Accumulated other comprehensive loss		(2,639)		(2,961)
Treasury stock, 102,154 shares, at cost		(2,167)		(2,167)
Total stockholders equity		99,311		94,022
Total liabilities and stockholders equity	$	997,425	$	987,060

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Income

(Unaudited) (Dollars in thousands except per share data)

	Three Months Ended March 31 2014	Three Months Ended March 31 2013
Interest income		
Interest and fees on loans	$ 7,039	$ 5,370
Interest on deposits with other banks	46	45
Interest on investment securities taxable	411	279
Interest on tax exempt loans and securities	754	482
Total interest income	8,250	6,176
Interest expense		
Deposits	1,098	907
Repurchase agreements	126	123
FHLB and other borrowings	263	262
Subordinated debt	19	20
Total interest expense	1,506	1,312
Net interest income	6,744	4,864
Provision for loan losses	519	1,000
Net interest income after provision for loan losses	6,225	3,864
Noninterest income		
Service charges on deposit accounts	120	137
Gain on bank owned life insurance	128	92
Visa debit card income	152	123
Gain on loans held for sale	3,784	4,928
Capitalized servicing retained income	156	338
Insurance income	958	
Gain on sale of securities		1
Gain on derivative	335	877
Other operating income	374	488
Total noninterest income	6,007	6,984
Noninterest expense		
Salary and employee benefits	6,797	6,220
Occupancy expense	617	430
Equipment depreciation and maintenance	372	328
Data processing	380	205
Mortgage processing	546	507
Visa debit card expense	138	102
Advertising	280	236
Legal and accounting fees	220	202
Printing, stationery and supplies	115	88
Consulting fees	211	120
FDIC insurance	150	139
Travel	154	85
Other operating expenses	856	743
Total noninterest expense	10,836	9,405
Income before income taxes	1,396	1,443

Income tax expense		238		255
Net income	$	1,158	$	1,188
Preferred dividends		21		21
Net income available to common shareholders	$	1,137	$	1,167
Earnings per share - basic	$	0.15	$	0.20
Earnings per share - diluted	$	0.15	$	0.19
Weighted average shares outstanding - basic		7,606,661		5,851,094
Weighted average shares outstanding - diluted		7,828,143		5,986,684

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Unaudited)(Dollars in thousands)

	Three Months Ended March 31 2014	Three Months Ended March 31 2013
Net Income	$ 1,158	$ 1,188
Other comprehensive income (loss):		
Unrealized holding gains (losses) during the year	537	(33)
Income tax effect	(215)	13
Reclassification adjustment for gain recognized in income		(1)
Income tax effect		
Other comprehensive income (loss)	322	(21)
Comprehensive income	$ 1,480	$ 1,167

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited) (Dollars in thousands)

	Three Months Ended March 31 2014	Three Months Ended March 31 2013
Operating activities		
Net income	$ 1,158	$ 1,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization and accretion of investments	224	270
Net amortization of deferred loan (fees) cost	73	(16)
Provision for loan losses	519	1,000
Depreciation and amortization	289	194
Stock based compensation	58	36
Loans originated for sale	(148,480)	(239,958)
Proceeds of loans sold	191,249	257,189
Gain on sale of loans held for resale	(3,784)	(5,097)
Gain on sale of investment securities		(1)
Income on bank owned life insurance	(128)	(92)
Deferred taxes	(645)	(188)
Other, net	(4,632)	(4,019)
Net cash provided by operating activities	35,901	10,506
Investing activities		
Purchases of investment securities available-for-sale		(3,226)
Purchases of investment securities held-to-maturity	(250)	
Maturities/paydowns of investment securities available-for-sale	2,416	2,943
Sales of investment securities available-for-sale		2,045
Purchases of premises and equipment	(2,296)	(1,665)
Net increase in loans	(53,327)	(10,560)
Purchases of restricted bank stock	(2,773)	(1,762)
Redemptions of restricted bank stock	4,710	516
Proceeds from sale of other real estate owned	57	
Net cash used in investing activities	(51,463)	(11,709)
Financing activities		
Net increase in deposits	58,828	33,744
Net decrease in repurchase agreements	(10,080)	(473)
Net change in short-term FHLB borrowings	(44,128)	(16,394)
Principal payments on FHLB borrowings	(39)	(2,801)
Proceeds from stock offering	3,723	13,419
Common stock options exercised	48	
Cash dividends paid on preferred stock	(21)	(21)
Net cash provided by financing activities	8,331	27,474
(Decrease) increase in cash and cash equivalents	(7,231)	26,271
Cash and cash equivalents at beginning of period	39,843	25,340
Cash and cash equivalents at end of period	$ 32,612	$ 51,611
Supplemental disclosure of cash flow information		
Loans transferred to other real estate owned	$	$ 472

Cash payments for:				
Interest	$	1,539	$	1,222
Income taxes	$	465	$	

See accompanying notes to unaudited consolidated financial statements.

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MVB Financial Corp. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

Note 1 Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP for annual year-end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, have been included and are of a normal, recurring nature. The balance sheet as of December 31, 2013 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The accounting and reporting policies of MVB Financial Corp. (the Company or MVB) and its subsidiaries (Subsidiaries), including MVB Bank, Inc. (the Bank), the Bank s subsidiary MVB Mortgage and MVB Insurance, LLC, conform to accounting principles generally accepted in the United States and practices in the banking industry. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates, such as the allowance for loan losses, are based upon known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. Actual results could differ from those estimates. All significant inter-company accounts and transactions have been eliminated in consolidation.

The consolidated balance sheet as of December 31, 2013 has been extracted from audited financial statements included in the Company s 2013 filing on Form 10-K. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in MVB s December 31, 2013, Form 10-K filed with the Securities and Exchange Commission.

In certain instances, amounts reported in prior periods consolidated financial statements have been reclassified to conform to the current presentation. In addition, all share amounts have been revised to reflect the two for one stock split effected as a stock dividend as disclosed in Note 12.

Information is presented in these notes with dollars expressed in thousands, unless otherwise noted or specified.

Note 2 Recent Accounting Pronouncements

In January 2014, the FASB issued ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* The objective of this guidance is to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. ASU No. 2014-04 states that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, ASU No. 2014-04 requires interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU No. 2014-04 is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of ASU No. 2014-04 is not expected to have a material impact on MVB Financials Corp s Consolidated Financial Statements.

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Note 3 Investments

Amortized cost and fair values of investment securities held-to-maturity at March 31, 2014, including gross unrealized gains and losses, are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	$ 56,823	$ 691	$ (1,773)	$ 55,741
Total investment securities held to-maturity	$ 56,823	$ 691	$ (1,773)	$ 55,741

Amortized cost and fair values of investment securities held-to-maturity at December 31, 2013, including gross unrealized gains and losses, are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Municipal securities	$ 56,670	$ 367	$ (2,919)	$ 54,118
Total investment securities held to-maturity	$ 56,670	$ 367	$ (2,919)	$ 54,118

Amortized cost and fair values of investment securities available-for-sale at March 31, 2014 are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	$ 60,732	$ 12	$ (1,480)	$ 59,264
U.S. Sponsored Mortgage-backed securities	44,785	165	(619)	44,331
Total debt securities	105,517	177	(2,099)	103,595
Equity and other securities	810	187		997
Total investment securities available-for-sale	$ 106,327	$ 364	$ (2,099)	$ 104,592

Amortized cost and fair values of investment securities available-for-sale at December 31, 2013 are summarized as follows:

(in thousands)	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Agency securities	$ 60,744	$	$ (1,922)	$ 58,822
U.S. Sponsored Mortgage-backed securities	47,317	118	(843)	46,592
Total debt securities	108,061	118	(2,765)	105,414
Equity and other securities	810	187		997
Total investment securities available-for-sale	$ 108,871	$ 305	$ (2,765)	$ 106,411

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The following tables summarize amortized cost and fair values of debt securities by maturity:

	March 31, 2014			
	Held to Maturity		Available for sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$	$	$	$
After one year, but within five	1,696	1,736	34,457	34,066
After five years, but within ten	14,877	14,910	37,087	36,066
After ten years	40,250	39,095	33,973	33,463
Total	$ 56,823	$ 55,741	$ 105,517	$ 103,595

Investment securities with a carrying value of $154,958 at March 31, 2014, were pledged to secure public funds, repurchase agreements and potential borrowings at the Federal Reserve discount window.

The Company s investment portfolio includes securities that are in an unrealized loss position as of March 31, 2014, the details of which are included in the following table. Although these securities, if sold at March 31, 2014 would result in a pretax loss of $3,872, the Company has no intent to sell the applicable securities at such market values, and maintains the Company has the ability to hold these securities until all principal has been recovered. Declines in the market values of these securities can be traced to general market conditions which reflect the prospect for the economy as a whole. When determining other-than-temporary impairment on securities, the Company considers such factors as adverse conditions specifically related to a certain security or to specific conditions in an industry or geographic area, the time frame securities have been in an unrealized loss position, the Company s ability to hold the security for a period of time sufficient to allow for anticipated recovery in value, whether or not the security has been downgraded by a rating agency, and whether or not the financial condition of the security issuer has severely deteriorated. As of March 31, 2014, the Company considers all securities with unrealized loss positions to be temporarily impaired, and consequently, does not believe the Company will sustain any material realized losses as a result of the current temporary decline in market value.

The following table discloses investments in an unrealized loss position at March 31, 2014:

(in thousands)

	Less than 12 months		12 months or more	
Description and number of positions	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency securities (17)	$ 51,599	$ (1,480)	$	$
U.S. Sponsored Mortgage-backed securities (16)	11,095	(72)	18,799	(547)
Municipal securities (83)	24,021	(1,242)	7,544	(531)
	$ 86,715	$ (2,794)	$ 26,343	$ (1,078)

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The following table discloses investments in an unrealized loss position at December 31, 2013:

(in thousands)

Description and number of positions	Less than 12 months Fair Value	Less than 12 months Unrealized Loss	12 months or more Fair Value	12 months or more Unrealized Loss
U.S. Agency securities (19)	$ 58,822	$ (1,922)	$	$
U.S. Sponsored Mortgage-backed securities (18)	14,969	(113)	19,781	(730)
Municipal securities (103)	35,502	(2,535)	4,471	(384)
	$ 109,293	$ (4,570)	$ 24,252	$ (1,114)

There were no sales of investments available-for-sale during the three month period ended March 31, 2014. The Company sold investments available-for-sale of $2.0 million for the three months ended March 31, 2013,resulting in a gross gain of $1.

Note 4 Loans and Allowance for Loan Losses

The following table summarizes the primary segments of the allowance for loan losses (ALL), segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of March 31, 2014. Activity in the allowance is presented for the periods indicated (in thousands):

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance December 31, 2013	$ 3,609	$ 519	$ 554	$ 239	$ 14	$ 4,935
Charge-offs				(9)		(9)
Recoveries	2		1	3		6
Provision	291	227			1	519
ALL balance March 31, 2014	$ 3,902	$ 746	$ 555	$ 233	$ 15	$ 5,451
Individually evaluated for impairment	$ 1,358	$ 302	$ 29	$ 8	$ 2	$ 1,699
Collectively evaluated for impairment	$ 2,544	$ 444	$ 526	$ 225	$ 13	$ 3,752

	Commercial	Residential	Home Equity	Installment	Credit Card	Total
ALL balance December 31, 2012	$ 3,107	$ 514	$ 242	$ 200	$ 13	$ 4,076
Charge-offs	(500)	(2)				(502)
Recoveries	22	36	7			65
Provision	1,016	(58)	22	16	4	1,000
ALL balance March 31, 2013	$ 3,645	$ 490	$ 271	$ 216	$ 17	$ 4,639
Individually evaluated for impairment	$ 668	$ 35	$	$ 1	$	$ 704
Collectively evaluated for impairment	$ 2,977	$ 455	$ 271	$ 215	$ 17	$ 3,935

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The allowance for loan losses is based on estimates, and actual losses will vary from current estimates. Management believes that the granularity of the homogeneous pools and the related historical loss ratios and other qualitative factors, as well as the consistency in the application of assumptions, result in an ALL that is representative of the risk found in the components of the portfolio at any given date.

All loan origination fees and direct loan origination costs are deferred and recognized over the life of the loan. As of March 31, 2014 and 2013, net deferred fees and costs of $1,613 and $974, respectively, were included in the carryings value of loans.

During late 2013, the Bank purchased $74.3 million in commercial loans in the northern Virginia area, that were marked to fair value at the time they were recorded on the balance sheet.

The following table summarizes the primary segments of the Company loan portfolio as of March 31, 2014:

(in thousands)	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Individually evaluated for impairment	$ 6,739	$ 843	$ 29	$ 15	$ 2	$ 7,628
Collectively evaluated for impairment	481,282	137,278	31,194	17,517	659	667,930
Total Loans	$ 488,021	$ 138,121	$ 31,223	$ 17,532	$ 661	$ 675,558

The following table summarizes the primary segments of the Company loan portfolio as of March 31, 2013 (in thousands):

(in thousands)	Commercial	Residential	Home Equity	Installment	Credit Cards	Total
Individually evaluated for impairment	$ 52,206	$ 1,875	$	$ 34	$	$ 54,115
Collectively evaluated for impairment	262,727	103,033	18,926	17,200	581	402,467
Total Loans	$ 314,933	$ 104,908	$ 18,926	$ 17,234	$ 581	$ 456,582

Of the $7,628 in impaired loans presented above, $3,694 were non-performing loans as of March 31, 2014. The remaining $3,934 represents troubled debt restructured loans that are performing under modified terms.

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Bank management evaluates individual loans in all of the commercial segments for possible impairment. Loans are considered to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by Bank management in evaluating impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Bank management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The Bank also separately evaluates individual consumer and residential mortgage loans for impairment.

Once the determination has been made that a loan is impaired, the determination of whether a specific allocation of the allowance is necessary is measured by comparing the recorded investment in the loan to the fair value of the loan using one of three methods: (a) the present value of expected future cash flows discounted at the loan s effective interest rate; (b) the loan s observable market price; or (c) the fair value of the collateral less selling costs. The method is selected on a loan-by-loan basis, with management primarily utilizing the fair value of collateral method. The evaluation of the need and amount of a specific allocation of the allowance and whether a loan can be removed from impairment status is made on a quarterly basis.

The following table presents impaired loans by class, segregated by those for which a specific allowance was required and those for which a specific allowance was not necessary as of March 31, 2014 and December 31, 2013 (in thousands):

	Impaired Loans with Specific Allowance		Impaired Loans with No Specific Allowance	Total Impaired Loans	
	Recorded Investment	Related Allowance	Recorded Investment	Recorded Investment	Unpaid Principal Balance
March 31, 2014					
Commercial	$ 6,619	$ 1,358	$ 120	$ 6,739	$ 6,739
Residential	843	302		843	843
Home Equity	29	29		29	29
Installment	15	8		15	15
Credit Cards	2	2		2	2
Total impaired loans	$ 7,508	$ 1,699	$ 120	$ 7,628	$ 7,628
December 31, 2013					
Commercial	$ 6,134	$ 1,243	$ 120	$ 6,254	$ 6,254
Residential	261	175		261	261
Home Equity	28	28		28	28
Installment	24	11	68	92	92
Credit Cards	1	1		1	1
Total impaired loans	$ 6,448	$ 1,458	$ 188	$ 6,636	$ 6,636

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The following table presents the average recorded investment in impaired loans and related interest income recognized for the periods indicated (in thousands):

	Three months ended March 31			
	2014		2013	
Average investment in impaired loans:				
Commercial	$	6,414	$	4,575
Residential		584		413
Home Equity		28		
Installment		43		21
Credit Cards		1		
Total Average investment in impaired loans	$	7,070	$	5,009
Interest income recognized on an accrual basis on impaired loans	$	69	$	24
Interest income recognized on a cash basis on impaired loans	$	36	$	20

Bank management uses a nine point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized, and are aggregated as Pass rated. The criticized rating categories utilized by Bank management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. The portion of any loan that represents a specific allocation of the allowance for loan losses is placed in the Doubtful category. Any portion of a loan that has been charged off is placed in the Loss category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as bankruptcy, repossession, or death occurs to raise awareness of a possible credit event. The Bank s Chief Credit Officer is responsible for the timely and accurate risk rating of the loans in the portfolio at origination and on an ongoing basis. The Bank s Credit Department performs an annual review of all commercial relationships $1,000,000 or greater. Confirmation of the appropriate risk grade is included in the review on an ongoing basis. The Bank has an experienced Credit Department that continually reviews and assesses loans within the portfolio. The Bank engages an external consultant to conduct loan reviews on at least an annual basis. Generally, the external consultant reviews larger commercial relationships or criticized relationships. The Bank s Credit Department compiles detailed reviews, including plans for resolution, on loans classified as Substandard on a quarterly basis. Loans in the Special Mention and Substandard categories that are collectively evaluated for impairment are given separate consideration in the determination of the allowance.

The following table represents the classes of the loan portfolio summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard and Doubtful within the internal risk rating system as of March 31, 2014 and December 31, 2013 (in thousands):

	Pass		Special Mention		Substandard		Doubtful		Total	
March 31, 2014										
Commercial	$	468,904	$	10,764	$	8,115	$	238	$	488,021
Residential		135,226		1,768		930		197		138,121
Home Equity		31,088		106		29				31,223

Installment		16,892		625		15				17,532
Credit Cards		659				2				661
Total	$	652,769	$	13,263	$	9,091	$	435	$	675,558
December 31, 2013										
Commercial	$	437,474	$	11,566	$	8,348	$		$	457,388
Residential		115,283		2,660		261				118,204
Home Equity		27,662		107		28				27,797
Installment		17,579		614		92				18,285
Credit Cards		628		2		1				631
Total	$	598,626	$	14,949	$	8,730	$		$	622,305

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Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due.

The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of March 31, 2014 and December 31, 2013 (in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days + Past Due	Total Past Due	Total Loans	Non-Accrual	90+ Days Still Accruing
March 31, 2014								
Commercial	$ 467,932	$ 16,237	$ 76	$ 3,776	$ 20,089	$ 488,021	$ 381	$ 3,417
Residential	134,792	2,818		511	3,329	$ 138,121	226	285
Home Equity	31,203	20			20	$ 31,223		
Installment	17,413	85	34		119	$ 17,532		
Credit Cards	659			2	2	$ 661		2
Total	$ 651,999	$ 19,160	$ 110	$ 4,289	$ 23,559	$ 675,558	$ 607	$ 3,704
December 31, 2013								
Commercial	$ 456,580	$ 216	$ 24	$ 568	$ 808	$ 457,388	$ 284	$
Residential	116,121	1,401	193	489	2,083	$ 118,204	29	431
Home Equity	27,741	28		28	56	$ 27,797		28
Installment	18,043	90		152	242	$ 18,285	76	
Credit Cards	628	2		1	3	$ 631		1
Total	$ 619,113	$ 1,737	$ 217	$ 1,238	$ 3,192	$ 622,305ZE=2>	$3,638,041	$12,853,495

Adrian T. Dillon	Cash Severance Payments	$1,283,326	$ 0	$ 0
	Cash Bonus	$ 545,414	$ 0	$ 0
	Continuation of Benefits(2)	$ 80,000	$ 0	$ 0
	Stock Award Acceleration	$2,678,154	$ 0	$2,678,154
	Stock Option Acceleration(3)	$ 995,620	$ 0	$ 995,620
	Pension Benefits	$ 605.871	$605.871	$ 605.871
	Excise Tax Gross-Up(5)	$ 0	$ 0	$ 0
	Total Termination Benefits:	$6,188,385	$605,871	$4,279,646
Ronald S. Nersesian	Cash Severance Payments	$ 826,250	$ 0	$ 0
	Cash Bonus	$ 330,500	$ 0	$ 0
	Continuation of Benefits(2)	$ 80,000	$ 0	$ 0

	Stock Award Acceleration	$1,648,805	$ 0	$1,648,805
	Stock Option Acceleration(3)	$ 675,932	$ 0	$ 675,932
	Pension Benefits	$ 207,487	$207,487	$ 207,487
	Excise Tax Gross-Up(5)	$1,693,436	$ 0	$ 0
	Total Termination Benefits:	$5,462,410	$207,487	$2,532,224
Michael R. McMullen	Cash Severance Payments	$ 669,166	$ 0	$ 0
	Cash Bonus	$ 234,208	$ 0	$ 0
	Continuation of Benefits(2)	$ 80,000	$ 0	$ 0
	Stock Award Acceleration	$1,307,650	$ 0	$1,307,650
	Stock Option Acceleration(3)	$ 411,237	$ 0	$ 411,237
	Pension Benefits	$ 562,779	$562,779	$ 562,779
	Excise Tax Gross-Up(5)	$1,162,146	$ 0	$ 0
	Total Termination Benefits:	$4,427,186	$562,779	$2,281,665

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Name	Type of Benefit	Involuntary Termination or Resignation for Good Cause in Connection with a Change of Control ($)(1)	Voluntary Termination or Involuntary Termination with or without Cause ($)	Death/Disability ($)
Nicolas Roelofs	Cash Severance Payments	$ 669,166	$ 0	$ 0
	Cash Bonus	$ 234,208	$ 0	$ 0
	Continuation of Benefits(2)	$ 80,000	$ 0	$ 0
	Stock Award Acceleration	$ 1,364,436	$ 0	$ 1,364,436
	Stock Option Acceleration(3)	$ 303,015	$ 0	$ 303,015
	Pension Benefits	$ 91,666	$ 91,666	$ 91,666
	Excise Tax Gross-Up(5)	$ 0	$ 0	$ 0
	Total Termination Benefits:	$ 2,742,491	$ 91,666	$ 1,759,117

(1) To the extent that the payment of the listed benefits triggers the excise tax under Section 4999 of the Code or any comparable federal, state, local or foreign excise tax, Agilent will be responsible for payment of any additional tax liability arising from the application of such excise tax. However, in the case of all of the named executive officers, other than Mr. Sullivan, the executive shall not be entitled to receive a gross-up payment if (i) the payment of the listed benefits may be reduced to an amount (the "Reduced Amount") sufficient to result in no portion of such payment being subject to an excise tax, and (ii) after reducing such payment by the Reduced Amount, the executive would receive, on a pre-tax basis, an amount not less than 90% of the value of the unreduced payment on a pre-taxed basis.

(2) Flat lump sum benefit for healthcare expenses, including additional health plan premium payments that may result from termination in the event of change of control.

(3) Calculated using the in-the-money value of unvested options as of October 31, 2009, the last business day of Agilent's last completed fiscal year. The closing price of Agilent common stock as of October 31, 2009 was $24.74.

(4) For information regarding potential payments upon termination under the 2005 Deferred Compensation Plan and the Retirement Plan, the Supplemental Benefit Retirement Plan and the Deferred Profit-Sharing Plan, in which our named executive officers participate, see "Non-Qualified Deferred Compensation in Last Fiscal Year" and "Pension Benefits" above.

(5) We determined the amount of the excise tax payment in accordance with the provisions of Section 280G of the Code. We utilized the following key assumptions to determine the tax gross-up payment: (i) the interest rate assumption was 120% of the applicable federal rate effective for the month of October 2009, compounded semiannually; (ii) a statutory federal income tax rate of 35%, Medical tax rate of 1.45%, California income tax rate of 9.3% for all named executive officers except Mr. McMullen who resides in the state of New Jersey which has an income tax rate of 9.9%; (iii) Section 280G "base amount" was determined based on average W-2 compensation for the period from 2004-2008; and (iv) equity grants made within one year of transaction were in the ordinary course of business and were not in contemplation of a transaction.

(6) Under the 1999 Stock Plan, 2009 Stock Plan and the LTP Program, if a named executive officer dies or is fully disabled, his or her unvested stock options and stock awards shall fully vest.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee are set forth in "Board Structure and Compensation." During the most recent fiscal year, no Agilent executive officer served on the compensation committee (or equivalent), or the board of directors, of another entity whose executive officer(s) served on Agilent's Compensation Committee.

RELATED PERSON TRANSACTIONS POLICY AND PROCEDURES

The Company's Standards of Business Conduct and Director Code of Ethics require that all employees and directors avoid conflicts of interests that interfere with the performance of their duties or the best interests of the Company. In addition, the Company has adopted a written Related Person Transactions Policy and Procedures (the "Related Person Transactions Policy") that prohibits any of the Company's executive officers, directors or any of their immediate family members from entering into a transaction with the Company, except in accordance with the policy. For purposes of the policy, a "related person transaction" includes any transaction (within the meaning of Item 404(a) of the Securities and Exchange Commission's Regulation S-K) involving the Company and any Related Person that would be required to be disclosed pursuant to Item 404(a) of the Securities and Exchange Commission's Regulation S-K.

Under our Related Person Transactions Policy, the General Counsel must advise the Nominating/Corporate Governance Committee of any related person transaction of which she becomes aware. The Nominating/Corporate Governance Committee must then either approve or reject the transaction in accordance with the terms of the policy. In the course of making this determination, the Nominating/Corporate Governance Committee shall consider all relevant information available to it and, as appropriate, must take into consideration the following:

- the size of the transaction and the amount payable to the related person;
- the nature of the interest of the related person in the transaction;
- whether the transaction may involve the conflict of interest; and
- whether the transaction involved the provision of goods or services to the Company that are available from unaffiliated third parties and, if so, whether the transaction is on terms and made under circumstances that are at least as favorable to the Company as would be available in comparable transactions with or involving unaffiliated third parties.

Under the Related Person Transactions Policy, Company management screens for any potential Related Person Transactions, primarily through the annual circulation of a Directors and Officers Questionnaire ("D&O Questionnaire") to each member of the Board of Directors and each officer of the Company that is a reporting person under Section 16 of the Securities Exchange Act of 1934. The D&O Questionnaire contains questions intended to identify Related Persons and transactions between the Company and Related Persons. If a Related Person Transaction is identified, such transaction is brought to the attention of the Nominating/Corporate Governance Committee for its approval, ratification, revision, or rejection in consideration of all of the relevant facts and circumstances.

The Nominating/Corporate Governance Committee must approve or ratify each related person transaction in accordance with the policy. Absent this approval or ratification, no such transaction may be entered into by the Company with any related person.

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In March 2008, the Nominating/Corporate Governance Committee amended the Related Person Transactions Policy to provide for standing pre-approval of limited transactions with related persons. Pre-approved transactions include:

(a) Any transaction with another company at which a related person's only relationship is as an employee (other than an executive officer or an equivalent), director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of (i) $1,000,000, or (ii) 2 percent of that company's total annual revenues.

(b) Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a Related Person's only relationship is as an employee (other than an executive officer or an equivalent), a director or a trustee, if the aggregate amount involved does not exceed the lesser of $500,000, or 2 percent of the charitable organization's total annual receipts.

Agilent will disclose the terms of related person transactions in its filings with the SEC to the extent required.

Transactions with Related Persons

We purchase services, supplies, and equipment in the normal course of business from many suppliers and sell or lease products and services to many customers. In some instances, these transactions occur with companies with which members of our management or Board of Directors have relationships as directors or executive officers. For transactions entered into during fiscal year 2009, no related person had or will have a direct or indirect material interest and none exceeded or fell outside of the pre-approved thresholds set forth in our Related Party Transaction Policy.

AUDIT AND FINANCE COMMITTEE REPORT

During fiscal year 2009, the Audit and Finance Committee of the Board reviewed the quality and integrity of Agilent's consolidated financial statements, the effectiveness of its system of internal control over financial reporting, its compliance with legal and regulatory requirements, the qualifications and independence of its independent registered public accounting firm, the performance of its internal audit function and independent registered public accounting firm and other significant financial matters. Each of the Audit and Finance Committee members satisfies the definition of independent director and is financially literate as established in the New York Stock Exchange Listing Standards. In accordance with section 407 of the Sarbanes-Oxley Act of 2002, the Board of Directors has identified Heidi Fields as the Audit and Finance Committee's "Financial Expert." Agilent operates with a November 1 to October 31 fiscal year. The Audit and Finance Committee met thirteen times, including telephone meetings, during the 2009 fiscal year.

The Audit and Finance Committee's work is guided by a written charter that the Board has approved. The Audit and Finance Committee regularly reviews its charter to ensure that it is meeting all relevant audit committee policy requirements of the U.S. Securities and Exchange Commission, the Public Company Accounting Oversight Board and the New York Stock Exchange. You can access the latest Audit and Finance Committee charter by clicking on "Governance Policies" in the "Corporate Governance" section of the Web page at www.investor.agilent.com or by writing to us at Agilent Technologies, Inc., 5301 Stevens Creek Blvd., Santa Clara, California 95051, Attention: Investor Relations.

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The Audit and Finance Committee has reviewed and discussed with management and PricewaterhouseCoopers LLP, Agilent's independent registered public accounting firm, Agilent's audited consolidated financial statements and Agilent's internal control over financial reporting. The Audit and Finance Committee has discussed with PricewaterhouseCoopers LLP, during the 2009 fiscal year, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees) as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit and Finance Committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence from Agilent. Based on the review and discussions noted above, the Audit and Finance Committee recommended to the Board that Agilent's audited consolidated financial statements be included in Agilent's Annual Report on Form 10-K for the fiscal year ended October 31, 2009 and be filed with the U.S. Securities and Exchange Commission.

Submitted by:

Audit and Finance Committee

Heidi Fields, Chairperson
Robert J. Herbold
Robert L. Joss

The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.

Fees Paid to PricewaterhouseCoopers LLP

The following table sets forth the aggregate fees charged to Agilent by PricewaterhouseCoopers LLP for audit services rendered in connection with the audited consolidated financial statements and reports for the 2009 and 2008 fiscal years and for other services rendered during the 2009 and 2008 fiscal years to Agilent and its subsidiaries, as well as all out-of-pocket costs incurred in connection with these services:

Fee Category:	**Fiscal 2009**	**% of Total**	**Fiscal 2008**	**% of Total**
Audit Fees	5,663,000	68.5	$ 6,647,000	89.8
Audit-Related Fees	2,422,000	29.3	252,000	3.4
Tax Fees:				
Tax compliance/preparation	169,000	2.1	503,000	6.8
Other tax services	0	0.0	0	0.0
Total Tax Fees	169,000	2.1	503,000	6.8
All Other Fees	8,000	0.1	3,000	0.0
Total Fees	$ 8,262,000	100.0	$ 7,405,000	100.0

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Audit Fees: Consist of fees billed for professional services rendered for the integrated audit of Agilent's consolidated financial statements and its internal control over financial reporting and review of the interim condensed consolidated financial statements included in quarterly reports.. Fiscal 2009 and 2008 fees also consist of fees billed for services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements, and attest services, except those not required by statute or regulation.

Audit-Related Fees: Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Agilent's consolidated financial statements and are not reported under "Audit Fees." These services include employee benefit plan audits, accounting consultations in connection with acquisitions and divestitures, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards. For fiscal 2009, services included approximately $2,100,000 paid to PricewaterhouseCoopers LLP for services rendered in connection with divestures of several smaller businesses.

Tax Fees: Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, tax audits and appeals, customs and duties, mergers and acquisitions and international tax planning.

All Other Fees: Consists of fees for all other services other than those reported above. These services include a license for specialized accounting research software. Agilent's intent is to minimize services in this category.

In making its recommendation to ratify the appointment of PricewaterhouseCoopers LLP as Agilent's independent registered public accounting firm for the fiscal year ending October 31, 2010, the Audit and Finance Committee has considered whether services other than audit and audit-related provided by PricewaterhouseCoopers LLP are compatible with maintaining the independence of PricewaterhouseCoopers LLP.

Policy on Audit and Finance Committee Preapproval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit and Finance Committee's policy is to preapprove all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Preapproval is generally provided for up to one year and any preapproval is detailed as to the particular service or category of services and is subject to a specific budget. The Audit and Finance Committee has delegated its preapproval authority up to a specified maximum to the Chairperson of the Audit and Finance Committee, Heidi Fields, who may preapprove all audit and permissible non-audit services so long as her preapproval decisions are reported to the Audit and Finance Committee at its next scheduled meeting.

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ADDITIONAL QUESTIONS AND INFORMATION REGARDING THE ANNUAL MEETING AND STOCKHOLDER PROPOSALS

Q: What happens if additional proposals are presented at the annual meeting?

A:

Other than the three proposals described in this Proxy Statement, Agilent does not expect any matters to be presented for a vote at the annual meeting. If you grant a proxy, the persons named as proxy holders, William P. Sullivan, Agilent's President and Chief Executive Officer, and Marie Oh Huber, Agilent's Senior Vice President, General Counsel and Secretary, will have the discretion to vote your shares on any additional matters properly presented for a vote at the annual meeting. If for any unforeseen reason, any one or more of Agilent's nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

Q: What class of shares is entitled to be voted?

A:

Each share of Agilent's common stock outstanding as of the close of business on January 6, 2010, the Record Date, is entitled to one vote at the annual meeting. On the Record Date, Agilent had approximately 348,892,082 shares of common stock issued and outstanding.

Q: What is the quorum requirement for the annual meeting?

A:

The quorum requirement for holding the annual meeting and transacting business is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the annual meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Broker non-votes, however, are not counted as shares present and entitled to be voted with respect to the matter on which the broker has expressly not voted. Thus, broker non-votes will not affect the outcome of any of the matters being voted on at the annual meeting. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote such shares.

Q: Who will count the vote?

A:

A representative of Computershare Investor Services will tabulate the votes and act as the inspector of election.

Q: Is my vote confidential?

A:

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Agilent or to third parties except (1) as necessary to meet ***applicable*** legal requirements, (2) to allow for the tabulation of votes and certification of the vote and (3) to facilitate a successful proxy solicitation by the Board. Occasionally, stockholders provide written comments on their proxy card, which are then forwarded to Agilent's management.

Q: Who will bear the cost of soliciting votes for the annual meeting?

A:

Agilent will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. Agilent has retained the services of Georgeson, Inc. ("Georgeson") to aid in the solicitation of proxies from banks, brokers, nominees and intermediaries. Agilent estimates that it will pay Georgeson a fee of $12,500 for its services. In addition to the mailing of

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these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by Agilent's directors, officers and employees, who will not receive any additional compensation for such solicitation activities. In addition, Agilent may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners.

Q: May I propose actions for consideration at next year's annual meeting of stockholders or nominate individuals to serve as directors?

A:

You may submit proposals for consideration at future annual stockholder meetings, including director nominations.

Stockholder Proposals: In order for a stockholder proposal to be considered for inclusion in Agilent's proxy statement for next year's annual meeting, the written proposal must be received by Agilent no later than September 21, 2010 and should contain such information as is required under Agilent's Bylaws. Such proposals will need to comply with the SEC's regulations regarding the inclusion of stockholder proposals in Agilent-sponsored proxy materials. In order for a stockholder proposal to be raised from the floor during next year's annual meeting, written notice must be received by Agilent no later than September 21, 2010 and should contain such information as required under Agilent's Bylaws. If we do not receive notice of your proposal within this time frame, our management will use its discretionary authority to vote the shares it represents.

Nomination of Director Candidates: Agilent's Bylaws permit stockholders to nominate directors at a stockholder meeting. In order to make a director nomination at an annual stockholder meeting, it is necessary that you notify Agilent not less than 120 days before the first anniversary of the date that the proxy statement for the preceding year's annual meeting was first sent to stockholders. Agilent's 2010 Proxy Statement was first sent to stockholders on January 19, 2010. Thus, in order for any such nomination notice to be timely for next year's annual meeting, it must be received by Agilent not later than September 21, 2010. In addition, the notice must meet all other requirements contained in Agilent's Bylaws and include any other information required pursuant to Regulation 14A under the Exchange Act.

Copy of Bylaw Provisions: You may contact the Agilent Corporate Secretary at Agilent's corporate headquarters for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates. Additionally, a copy of Agilent's Bylaws can be accessed on the Agilent Investor Relations Web site at http://www.investor.agilent.com. Click "Corporate Governance" and then "Governance Policies" on the left hand side of the screen.

Q: How do I obtain a separate set of proxy materials if I share an address with other stockholders?

A:

To reduce expenses, in some cases, we are delivering one set of the proxy materials or, where applicable, one Notice to certain stockholders who share an address, unless otherwise requested by one or more of the stockholders. For stockholders receiving hard copies of the proxy materials, a separate proxy card is included with the proxy materials for each of stockholder. For stockholders receiving a Notice, the Notice will instruct you as to how you may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may submit your proxy on the Internet. If you have only received one set

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of the proxy materials or one Notice, you may request separate copies at no additional cost to you by calling us at (408) 553-2424 or by writing to us at Agilent Technologies, Inc., 5301 Stevens Creek Blvd., Santa Clara, California 95051, Attn: Shareholder Records. If you received a Notice and you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

You may also request separate paper proxy materials or a separate Notice for future annual meetings by following the instructions for requesting such materials in the Notice, or by contacting us by calling or writing.

Q: If I share an address with other stockholders of Agilent, how can we get only one set of voting materials for future meetings?

A:

You may request that we send you and the other stockholders who share an address with you only one Notice or one set of proxy materials by calling us at (408) 553-2424 or by writing to us at: Agilent Technologies, Inc., 5301 Stevens Creek Blvd., Santa Clara, California 95051, Attn: Shareholder Records.

You may receive a copy of Agilent's Annual Report on Form 10-K for the fiscal year ended October 31, 2009 without charge by sending a written request to Agilent Technologies, Inc., 5301 Stevens Creek Blvd., Santa Clara, California 95051, Attn: Investor Relations.

By Order of the Board,

MARIE OH HUBER
Senior Vice President, General Counsel
and Secretary
Dated: January 19, 2010

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Appendix A

AGILENT TECHNOLOGIES, INC.
2010 PERFORMANCE-BASED COMPENSATION PLAN
FOR COVERED EMPLOYEES
(As Adopted on November18, 2009)

1. PURPOSE

The purpose of the Agilent Technologies, Inc. Performance-Based Compensation Plan for Covered Employees (as amended from time to time, the "Plan") is to reward and recognize eligible employees for their contributions towards the achievement by Agilent Technologies, Inc. (the "Company") of certain Performance Goals (as defined below). The Plan is designed with the intention that the incentives paid hereunder to certain executive officers of the Company are deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder (the "Code"). However, the Company can not guarantee that awards under the Plan will qualify for exemption under Code Section 162(m) and circumstances may present themselves under which awards under the Plan do not comply with Code Section 162(m). The adoption of the Plan is subject to the approval of the Company's shareholders.

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan:

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in either case, as determined by the Committee.

(b) "Award" means the amount of a cash incentive payable under the Plan to a Participant with respect to a Performance Period.

(c) "Board" means the Board of Directors of the Company, as constituted from time to time.

(d) "Committee" means the Compensation Committee of the Board or another Committee designated by the Board which is comprised of two or more "outside directors" as defined in Code Section 162(m).

(e) "Participant" means any employee of the Company or its Affiliates who is designated as a Participant (either by name or by position) by the Committee.

(f) "Performance Goal" means an objective formula or standard determined by the Committee with respect to each Performance Period based on one or more of the following criteria and any objectively verifiable adjustment(s) thereto permitted and pre-established by the Committee in accordance with Code Section 162(m): (i) pre-tax income or after-tax income; (ii) income or earnings including operating income, earnings before or after taxes, interest, depreciation and/or amortization; (iii) net income excluding amortization of intangible assets, depreciation and impairment of goodwill and intangible assets and/or excluding charges attributable to the adoption of new accounting pronouncements; (iv) earnings or book value per share (basic or diluted); (v) return on assets (gross or net), return on investment, return on invested capital, or return on equity; (vi) return on revenues; (vii) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (viii) economic value created; (ix) operating margin or profit margin; (x) stock price or total stockholder return; (xi) income or earnings from continuing operations; (xii) capital expenditures, cost targets, reductions and savings and expense management; and (xiii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration or market share, geographic business expansion, objective customer satisfaction or information technology goals, and objective goals relating to divestitures, joint ventures, mergers, acquisitions and similar transactions, each with respect to the Company and/or one or more of its Affiliates or operating units.

(g) "Performance Period" means any period not exceeding 36 months as determined by the Committee, in its sole discretion. The Committee may establish different Performance Periods for different Participants, and the Committee may establish concurrent or overlapping Performance Periods.

3. ADMINISTRATION

The Plan shall be administered by the Committee, which shall have the discretionary authority to interpret the provisions of the Plan, including all decisions on eligibility to participate, the establishment of Performance Goals, the amount of Awards payable under the Plan, and the payment of Awards. The Committee shall also have the discretionary authority to establish rules under the Plan so long as such rules do not explicitly conflict with the terms of the Plan and any such rules shall constitute part of the Plan. The decisions of the Committee shall be final and binding on all parties making claims under the Plan.

4. ELIGIBILITY

Employees of the Company shall be eligible to participate in the Plan as determined at the sole discretion of the Committee.

5. AMOUNT OF AWARDS

(a) With respect to each Participant, the Committee will establish one or more Performance Periods, an individual Participant incentive target for each Performance Period and the Performance Goal(s) to be met during such Performance Period(s). In order to qualify as performance-based compensation, the establishment of the Performance Period(s), the applicable Performance Goals and the targets must occur in compliance with and to the extent required by the rules and regulations of Code Section 162(m).

(b) The maximum amount of any Awards that can be paid under the Plan to any Participant with respect to any 12-month performance cycle is $10,000,000.

(c) The Committee reserves the right, in its sole discretion, to reduce or eliminate the amount of an Award otherwise payable to a Participant with respect to any Performance Period. The reduction of an Award otherwise payable to a Participant with respect to a Performance Period shall have no effect on the Award payable to any other Participant for such Performance Period.

6. PAYMENT OF AWARDS

Any distribution made under the Plan shall be made in cash and occur within a reasonable period of time after the end of the Performance Period in which the Participant has earned the Award; *provided* that no Award shall become payable to a Participant with respect to any Performance Period until the Committee has certified in writing that the terms and conditions underlying the payment of such Award have been satisfied. Notwithstanding the foregoing, in order to comply with the short-term deferral exception under Section 409A of the Code, payment shall occur no later than the 15th day of the third month following the end of the Company's taxable year in which the payment was earned.

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7. CHANGES IN STATUS

(a) Except as may be otherwise determined by the Committee in its sole discretion, the payment of an Award with respect to all or a portion of a specific Performance Period, as applicable, requires that the employee be on the Company's payroll in active service as of the end of such Performance Period unless the Participant is not in active service on the last day of the Performance Period due to retirement, workforce management, total and permanent disability or death, in which case the Participant will be eligible to receive a prorated Award for days worked with respect to the Performance Period to the extent that the relevant Performance Goals have been met. A Participant who becomes ineligible for this Plan after the start of the Performance Period is eligible to receive a prorated Award for days worked, except as provided in Section 7(b).

(b) A Participant will forfeit any Award for a Performance Period during which a Participant is involuntarily terminated for cause or voluntarily terminates his employment with the Company for reasons other than death, total and permanent disability, workforce management or retirement, at the age and service-year level set by the Company or the local law requirements where the Participant is employed.

8. RECOUPMENT

Any Award paid under the Plan is subject to the terms of the Agilent Technologies Executive Compensation Recoupment Policy, or any successor policy thereto, in the form approved by the Committee as the date of grant (the "Policy"), if and to the extent that the Policy by its terms applies to the Award and the Participant.

9. GENERAL

(a) TAX WITHHOLDING. The Company shall have the right to deduct from all Awards any federal, state or local income and/or payroll taxes required by law to be withheld with respect to such payments. The Company also may withhold from any other amount payable by the Company or any affiliate to the Participant an amount equal to the taxes required to be withheld from any Award.

(b) CLAIM TO AWARDS AND EMPLOYMENT RIGHTS. Nothing in the Plan shall confer on any Participant the right to continued employment with the Company or any of its affiliates, or affect in any way the right of the Company or any affiliate to terminate the Participant's employment at any time, and for any reason, or change the Participant's responsibilities. Awards represent unfunded and unsecured obligations of the Company and a holder of any right hereunder in respect of any Award shall have no rights other than those of a general unsecured creditor to the Company.

(c) BENEFICIARIES. To the extent the Committee permits beneficiary designations, any payment of Awards under the Plan to a deceased Participant shall be paid to the beneficiary duly designated by the Participant in accordance with the Company's practices. If no such beneficiary has been designated or survives the Participant, payment shall be made to the Participant's legal representative. A beneficiary designation may be changed or revoked by a Participant at any time, provided the change or revocation is filed with the Committee prior to the Participant's death.

(d) NONTRANSFERABILITY. A person's rights and interests under the Plan, including any Award previously made to such person or any amounts payable under the Plan, may not be sold, assigned, pledged, transferred or otherwise alienated or hypothecated except, in the event of a Participant's death, to a designated beneficiary as provided in the Plan, or in the absence of such designation, by will or the laws of descent and distribution.

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(e) INDEMNIFICATION. Each person who is or shall have been a member of the Committee and each employee of the Company or an affiliate who is delegated a duty under the Plan shall be indemnified and held harmless by the Company from and against any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit or proceeding to which he may be a party or in which he may be involved by reason of any action or failure to act under the Plan and against and from any and all amounts paid by him in satisfaction of judgment in any such action, suit or proceeding against him, provided such loss, cost, liability or expense is not attributable to such person's willful misconduct. Any person seeking indemnification under this provision shall give the Company prompt notice of any claim and shall give the Company an opportunity, at its own expense, to handle and defend the same before the person undertakes to handle and defend such claim on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled, including under the Company's Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(f) EXPENSES. The expenses of administering the Plan shall be borne by the Company.

(g) TITLES AND HEADINGS. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

(h) INTENT. The intention of the Company and the Committee is to administer the Plan in compliance with Code Section 162(m) so that the Awards paid under the Plan to Participants who are or may become subject to Code Section 162(m) will be treated as performance-based compensation under Code Section 162(m)(4)(C). If any provision of the Plan does not comply with the requirements of Code Section 162(m), then such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

(i) GOVERNING LAW. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any Award shall be determined in accordance with the laws of the State of California (without giving effect to principles of conflicts of laws thereof) and applicable federal law. No Award made under the Plan shall be intended to be deferred compensation under Code Section 409A and will be interpreted accordingly.

(j) AMENDMENTS AND TERMINATION. The Committee may terminate the Plan at any time, provided such termination shall not affect the payment of any Awards accrued under the Plan prior to the date of the termination. The Committee may, at any time, or from time to time, amend or suspend and, if suspended, reinstate, the Plan in whole or in part; provided, however, that any amendment of the Plan shall be subject to the approval of the Company's shareholders to the extent required to comply with the requirements of Code Section 162(m), or any other applicable laws, regulations or rules.

DIRECTIONS TO THE SOUTH SAN FRANCISCO
CONFERENCE CENTER

From the South (San Jose)

Take Highway 101 north to the South Airport Boulevard exit (which is two miles north of the San Francisco International Airport). At the first stop light; drive straight across the intersection and directly into the Holiday Inn parking lot. The South San Francisco Conference Center is on the left.

From the North (San Francisco)

Take Highway 101 South to the South Airport Boulevard exit in South San Francisco. Stay to the right and turn east under the freeway overpass. Make a right at the Hungry Hunter Restaurant onto South Airport Boulevard. The South San Francisco Conference Center is located on the left between the Good Nite Inn and the Holiday Inn.

Parking

The South San Francisco Conference Center has an agreement to share parking with both neighboring hotels the Holiday Inn to the south and the Good Nite Inn to the north. Additional parking is available diagonally across the street in the lot located between the Travelodge and the Best Western Grosvenor Hotel.

Printed on recycled paper with 30% post-consumer waste

Annual Meeting of Stockholders

The South San Francisco Conference Center
255 South Airport Boulevard
South San Francisco, California
March 2, 2010 at 10:00 a.m.

ADMIT ONE

Annual Meeting of Stockholders

The South San Francisco Conference Center
255 South Airport Boulevard
South San Francisco, California
March 2, 2010 at 10:00 a.m.

ADMIT ONE

Proxy AGILENT TECHNOLOGIES, INC.

Annual Meeting of Stockholders March 2, 2010

This Proxy is solicited on Behalf of the Board of Directors.

The undersigned hereby appoints William P. Sullivan and Marie Oh Huber, and each of them, as proxies for the undersigned, with full power of substitution, to act and to vote all the shares of Common Stock of Agilent Technologies, Inc. held of record by the undersigned on January 6, 2010, at the Annual Meeting of Stockholders to be held on Tuesday, March 2, 2010, or any postponement or adjournment thereof.

IMPORTANT This Proxy must be signed and dated on the reverse side.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ITEMS 1, 2 AND 3.

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Annual Meeting.

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED

If you vote by telephone or the Internet, please DO NOT mail back this proxy card.

(Continued and to be voted on reverse side.)

Electronic Voting Instructions
You can vote by Internet or telephone.

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 1:00 A.M., Central Time, on March 2, 2010.

Vote by Internet
• Log on to the Internet and go to **www.envisionreports.com/agilent**
• Follow the steps outlined on the secured website.

Vote by telephone
• Call toll free 1-800-652-VOTE (8683) within the USA, US Territories & Canada any time on a touch tone telephone. There is **NO CHARGE** to you for the call.
• Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. x

Annual Meeting Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

A Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals 2 and 3.

1. Election of Directors

		For	Against	Abstain			For	Against	Abstain
01	Paul N. Clark	o	o	o	02	James G. Cullen	o	o	o

For	Against	Abstain	For	Against	Abstain

2. The ratification of the Audit and Finance Committee s appointment of PricewaterhouseCoopers LLP as Agilent s independent registered public accounting firm.	o	o	o	3.The approval of the Agilent Technologies, Inc. Performance-Based Compensation Plan for Covered Employees	o	o	o

B Non-Voting Items

Change of Address Please print your new address below.

Comments Please print your comments below.

Meeting Attendance Mark the box to the right if you plan to attend the Annual Meeting. o

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as your name or names appear above. For joint accounts, each owner should sign. When signing as executor, administrator, attorney, trustee or guardian, etc., please give your full title.

Date (mm/dd/yyyy) Please print date below.	Signature 1 Please keep signature within the box	Signature 2 Please keep signature within the box
/ /		