BELDEN INC.
Form 10-K
February 17, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
þ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016
or
o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File No. 001-12561
BELDEN INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	36-3601505
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

1 North Brentwood Boulevard
15th Floor
St. Louis, Missouri 63105
(Address of Principal Executive Offices and Zip Code)
(314) 854-8000
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	The New York Stock Exchange
Preferred Stock Purchase Rights	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o.
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ.
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o.
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 þ No o.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o 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 þ.

At July 3, 2016, the aggregate market value of Common Stock of Belden Inc. held by non-affiliates was $2,211,134,622 based on the closing price ($59.59) of such stock on such date.

There were 42,182,613 shares of registrant’s Common Stock outstanding on February 14, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive proxy statement for its annual meeting of stockholders within 120 days of the end of the fiscal year ended December 31, 2016 (the “Proxy Statement”). Portions of such proxy statement are incorporated by reference into Part III.

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PART I

Item 1. Business

General

Belden Inc. (Belden, the Company, us, we, or our) is an innovative signal transmission solutions company built around five global business platforms – Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Each of the global business platforms represents a reportable segment. Financial information about our segments appears in Note 6 to the Consolidated Financial Statements.

Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound, and video for mission critical applications. We sell our products to distributors, end-users, installers, and directly to original equipment manufacturers (OEMs). Belden Inc. is a Delaware corporation incorporated in 1988, but the Company's roots date back to its founding by Joseph Belden in 1902.

As used herein, unless an operating segment is identified or the context otherwise requires, "Belden," the "Company", and "we" refer to Belden Inc. and its subsidiaries as a whole.

Strategy and Business Model

Our business model is designed to generate shareholder value:

- Operational Excellence—The core of our business model is operational excellence and the execution of our Belden Business System. The Belden Business System has three areas of focus. First, we demonstrate a commitment to Lean enterprise initiatives, which improve not only the quality and efficiency of the manufacturing environment, but our business processes on a company-wide basis. Second, we utilize our Market Delivery System (MDS), a go-to-market model that provides the foundation for organic growth. We believe that organic growth, resulting from both market growth and share capture, is essential to our success. Finally, our Talent Management System supports the development of our associates at all levels, which preserves the culture necessary to operate our business consistently and sustainably.
- Cash Generation—Our pursuit of operational excellence results in the generation of significant cash flow. We generated cash flows from operating activities of $314.8 million, $241.5 million, and $200.9 million in 2016, 2015, and 2014, respectively.
- Portfolio Improvement—We utilize the cash flow generated by our business to fuel our continued transformation and generate shareholder value. We continuously improve our portfolio to ensure we provide the most complete, end-to-end solutions to our customers. Our portfolio is designed with balance across end markets and geographies to ensure we can meet our goals in most economic environments. We have a disciplined acquisition cultivation, execution, and integration system that allows us to invest in outstanding companies that strengthen our capabilities and enhance our ability to serve our customers.

Segments

We operate our business under the following segments:

	Percentage of Segment Revenues (1)		
	2016	2015	2014
Broadcast Solutions	32.6 %	31.4 %	32.6 %
Enterprise Connectivity Solutions	25.6 %	25.7 %	27.0 %
Industrial Connectivity Solutions	24.8 %	25.6 %	29.4 %
Industrial IT Solutions	10.0 %	10.3 %	11.0 %
Network Security Solutions	7.0 %	7.0 %	n/a

(1) See Note 6 to the Consolidated Financial Statements for additional information regarding our segment measures.

Broadcast

The Broadcast Solutions (Broadcast) segment is a leading provider of production, distribution, and connectivity systems for

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television broadcast, cable, satellite, and IPTV industries. We target end-use customers in markets such as outside broadcast, sport venues, broadcast studios, and cable, broadband, satellite, and telecommunications service providers. Our products are used in a variety of applications, including live production signal management, program playout for broadcasters, monitoring for pay-TV operators, and broadband connectivity. Broadcast products and solutions include camera solutions, production switchers, server and storage systems for instant replay applications, interfaces and routers, monitoring systems, in-home network systems, playout systems, outside plant connectivity products, and other cable and connectivity products.

Our hardware and software solutions for the broadcast infrastructure industry span the full breadth of television operations, including creation, playout, and delivery. Many of our broadcast infrastructure solutions are designed for live content creation, which is viewed as a growth opportunity for the segment. For the broadband distribution industry, we manufacture flexible, copper-clad coaxial cable and associated connector products for the high-speed transmission of data, sound, and video (broadband) that are used for the “drop” section of cable television (CATV) systems and satellite direct broadcast systems. Our connectivity solutions include several major product categories: coax connector products that allow for connections from the provider network to the subscribers’ devices; hardline connectors that allow service providers to distribute their services within a city, a town, or a neighborhood; fiber optic micro duct products to support FTTx networks; entry devices that serve to manage and remove network signal noise that could impair performance for the subscriber; and traps and filtering devices that allow service providers to control the signals that are transmitted to the subscriber. Our portfolio of broadband distribution products is well positioned for growth opportunities as broadband consumption continues to increase both in developed and emerging markets.

Broadcast products are sold through a variety of channels, including: broadcast specialty distributors; audio systems installers; directly to the major television networks including ABC, CBS, Fox, and NBC; directly to broadband service providers, including Comcast, DirectTV, and Charter Spectrum directly to specialty system integrators; directly to OEMs; and other distributors.

Enterprise

The Enterprise Connectivity Solutions (Enterprise) segment is a leading provider in network infrastructure solutions, as well as cabling and connectivity solutions for broadcast, commercial audio/video, and security applications. We serve customers in markets such as healthcare, education, financial, government, and corporate enterprises, as well as end-markets, including sport venues, broadcast studios, and academias. Enterprise product lines include copper cable and connectivity solutions, fiber cable and connectivity solutions, and racks and enclosures. Our products are used in applications such as local area networks, data centers, access control, and building automation. Enterprise provides true end-to-end copper and fiber network systems to include cable, assemblies, interconnect panels, and enclosures. Our products are also used in a variety of applications, including live production and performance, video display and digital signage, corporate communications, and life safety. Our high-performance solutions support all networking protocols up to and including 100G+ Ethernet technologies. Enterprise’s innovative products can deliver data in addition to power over Ethernet, which meets the higher performance requirements driven by the increasing number of connections in smart buildings. Enterprise products also include intelligent power, cooling, and airflow management for mission-critical data center operations. The Enterprise product portfolio is designed to support Internet Protocol convergence, the increased use of wireless communications, and cloud-based data centers by our customers. Our systems are installed through a network of highly trained system integrators and are supplied through authorized distributors.

Industrial Connectivity

The Industrial Connectivity Solutions (Industrial Connectivity) segment is a leading provider of high performance networking components and machine connectivity products. Industrial Connectivity products include physical network and fieldbus infrastructure components and on-machine connectivity systems customized to end user and OEM needs. Products are designed to provide reliability and confidence of performance for a wide range of industrial automation applications. Our mix of business by end market includes discrete manufacturing (65% of 2016 revenues);

process, including oil and gas (24%); energy (7%); and transportation (4%). Our products are used in applications such as network and fieldbus infrastructure; sensor and actuator connectivity; power, control, and data transmission; and mobile machines. Industrial Connectivity products include solutions such as industrial and input/output (I/O) connectors, industrial cables, IP and networking cables, I/O modules, distribution boxes, ruggedized controls and sensors, customer specific wiring solutions, and load-moment indicator systems as well as controllers and sensors for the mobile crane market.

Our industrial cable products are used in discrete manufacturing and process operations involving the connection of computers, programmable controllers, robots, operator interfaces, motor drives, sensors, printers, and other devices. Many industrial environments, such as petrochemical and other harsh-environment operations, require cables with exterior armor or jacketing that can endure physical abuse and exposure to chemicals, extreme temperatures, and outside elements. Other applications require conductors, insulating, and jacketing materials that can withstand repeated flexing. In addition to cable product configurations for these applications, we supply heat-shrinkable tubing and wire management products to protect and organize wire and cable

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assemblies. Our industrial connector products are primarily used as sensor and actuator connections in factory automation supporting various fieldbus protocols as well as power connections in building automation. These products are used both as components of manufacturing equipment and in the installation and networking of such equipment. Industrial Connectivity products are sold directly to industrial equipment OEMs and through a network of industrial distributors, value-added resellers, and system integrators.

Industrial IT

The Industrial IT Solutions (Industrial IT) segment provides mission-critical networking systems that provide the end-users with the highest confidence of reliability, availability, and security. Our mix of business by end market includes discrete manufacturing (25% of 2016 revenues); process, including oil and gas (30%); energy (27%); and transportation (18%). Industrial IT products include security devices, Ethernet switches and related equipment, routers and gateways, network management software, and wireless systems. Our Industrial Ethernet switches and related equipment can be both rail-mounted and rack-mounted, and are used for factory automation, power generation and distribution, process automation, and large-scale infrastructure projects such as bridges, wind farms, and airport runways. Rail-mounted switches are designed to withstand harsh conditions including electronic interference and mechanical stresses. The Industrial IT product portfolio supports the continued deployment of Industrial Ethernet technology throughout industrial manufacturing processes.

Industrial IT products are sold directly to end-use customers, directly to OEMs, and through distributors.

Network Security Solutions

The Network Security Solutions (Network Security) segment provides foundational controls for protecting enterprises against cyberattacks, automating IT regulatory compliance and improving operational efficiency. Network Security provides software and services that protect against cyberattacks and data breaches with integrated security controls that discover assets, harden configurations, identify vulnerabilities and detect threats. We target end-use customers in markets such as industrial (including utilities and energy), enterprise (including finance, insurance, technology, communications, retail, and healthcare), and government. The Network Security product portfolio of enterprise-class security solutions includes configuration and policy management, file integrity monitoring, vulnerability management and log intelligence.

Network Security products are sold directly to end-use customers.

See Note 6 to the Consolidated Financial Statements for additional information regarding our segments.

Acquisitions

A key part of our business strategy includes acquiring companies to support our growth and product portfolio. Our acquisition strategy is based upon targeting leading companies that offer innovative products and strong brands. We utilize a disciplined approach to acquisitions based on product and market opportunities. When we identify acquisition candidates, we conduct rigorous financial and cultural analyses to make certain that they meet both our strategic plan targets and our goal for return on invested capital of 13-15%.

We have completed a number of acquisitions in recent years as part of this strategy. Most recently, on January 7, 2016, we acquired M2FX Limited (M2FX), a manufacturer of fiber optic cable and fiber protection solutions for broadband and telecommunications networks. The results of M2FX are included in our Broadcast segment.

In January 2015, we acquired Tripwire, Inc. (Tripwire), a leading global provider of advanced threat, security, and compliance solutions, creating a new platform, Network Security Solutions. Tripwire's solutions enable enterprises, service providers, manufacturers, and government agencies to detect, prevent, and respond to growing security threats. In November 2014, we acquired Coast Wire and Plastic Tech., LLC (Coast), a leading manufacturer of custom wire and cable solutions used in high-end medical device, military and defense, and industrial applications. In June 2014, we acquired ProSoft Technology, Inc. (ProSoft), a leading manufacturer of industrial networking products that translate between disparate automation systems, including the various protocols used by different automation vendors. In March 2014, we acquired Grass Valley USA, LLC and GVBB Holdings S.a.r.l., (collectively, Grass Valley), leading providers of innovative technologies for the broadcast industry, including production switchers, cameras,

servers, and editing solutions.
For more information regarding these transactions, see Note 3 to the Consolidated Financial Statements.

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Customers

We sell to distributors, OEMs, installers, and end-users. Sales to the distributor Anixter International Inc. represented approximately 12% of our consolidated revenues in 2016. No other customer accounted for more than 10% of our revenues in 2016.

We have supply agreements with distributors and OEM customers. In general, our customers are not contractually obligated to buy our products exclusively, in minimum amounts, or for a significant period of time. We believe that our relationships with our customers and distributors are good and that they are loyal to Belden products as a result of our reputation, the breadth of our product portfolio, the quality and performance characteristics of our products, and our customer service and technical support, among other reasons.

International Operations

In addition to manufacturing facilities in the United States (U.S.), we have manufacturing and other operating facilities in Brazil, Canada, China, Japan, Mexico, and St. Kitts, as well as in various countries in Europe. During 2016, approximately 45% of Belden's sales were to customers outside the U.S. Our primary channels to international markets include both distributors and direct sales to end users and OEMs.

Financial information for Belden by country is shown in Note 6 to the Consolidated Financial Statements.

Competition

We face substantial competition in our major markets. The number and size of our competitors vary depending on the product line and segment. Some multinational competitors have greater financial, engineering, manufacturing, and marketing resources than we have. There are also many regional competitors that have more limited product offerings. The markets in which we operate can be generally categorized as highly competitive with many players. In order to maximize our competitive advantages, we manage our product portfolio to capitalize on secular trends and high-growth applications in those markets. Based on available data for our served markets, we estimate that our market share across our segments ranges from approximately 5% – 20%, which we believe is significant. A substantial acquisition in one of our served markets would be necessary to meaningfully change our estimated market share percentage.

The principal competitive factors in all our product markets are technical features, quality, availability, price, customer support, and distribution coverage. The relative importance of each of these factors varies depending on the customer. Some products are manufactured to meet published industry specifications and are less differentiated on the basis of product characteristics. We believe that Belden stands out in many of its markets on the basis of our reputation, the breadth of our product portfolio, the quality and performance characteristics of our products, our customer service, and our technical support.

Research and Development

We conduct research and development on an ongoing basis, including new and existing product development, testing and analysis, and process and equipment development and testing. See the Consolidated Statements of Operations for amounts incurred for research and development. Many of the markets we serve are characterized by advances in information processing and communications capabilities, including advances driven by the expansion of digital technology, which require increased transmission speeds and greater bandwidth. Our markets are also subject to increasing requirements for mobility, information security, and transmission reliability. We believe that our future success will depend in part upon our ability to enhance existing products and to develop and manufacture new products that meet or anticipate such changes in our served markets.

Our most significant investments in research and development occur in our Broadcast, Network Security, and Industrial IT platforms. The research and development investments for these platforms include a focus on the following developments:

- In the broadcast market, the trend towards increasingly complex broadcast production, management, and distribution environments continues to evolve. Our end-use customers need to increase efficiency and enhance workflow through

systems and infrastructure. Our broadcast products allow content producers, broadcasters, and service providers to manage the increasingly complex broadcast signals throughout their operations.

- In order to support the demand for additional bandwidth and to improve service integrity, broadband service providers are investing in their networks to enhance delivery capabilities to customers for the foreseeable future. Additional

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bandwidth requirements as a result of increased traffic expose weak points in the network, which are often connectivity related, causing broadband service operators to improve and upgrade residential networks with higher performing connectivity products.

- For network security products, there is a compelling need among global enterprises, service providers and government agencies to detect, prevent and respond to cyber security threats. This is a long-standing need within corporate networks, but we believe the rapid proliferation of new devices in the "internet of things" will cause this need to broaden and accelerate. Additionally, cyber-attacks are moving beyond traditional targets into critical infrastructure, which will further amplify the importance of our work in network security.
- Part of our research and development is focused on creating scalable, efficient technologies to provide real-time instrumentation and analytics across entire networks. This includes delivering high-fidelity visibility and deep intelligence about networked systems, their vulnerabilities, and providing actionable information about how to effectively secure them. Additionally, we have highly-skilled and active research teams who analyze current and anticipated threats, and provide offerings to the market to enable customers to quickly detect and resolve cybersecurity threats.
- In the industrial networking market, there is a growing trend toward adoption of Industrial Ethernet technology, bringing to the critical infrastructure the advantages of digital communication and the ability to network devices made by different manufacturers and integrate them with enterprise systems. While the adoption of this technology is at a more advanced stage in certain regions of the world, we believe that the trend will globalize. This trend will also lead to a rising need for wireless systems for some applications and for cybersecurity to protect this critical infrastructure.

Our research and development efforts are also focused on fiber optic technology, which presents a potential substitute for certain of the copper-based products that comprise a portion of our revenues. Fiber optic cables have certain advantages over copper-based cables in applications where large amounts of information must travel significant distances and where high levels of information security are required. While the cost to interface electronic and optical light signals and to terminate and connect optical fiber remains comparatively high, we expect that in future years the cost difference versus traditional copper networks will diminish. We sell fiber optic infrastructure, and many customers specify these products in combination with copper-based infrastructure. The final stage of most networks remains almost exclusively copper-based, and we expect that it will continue to be copper for the foreseeable future. However, if a significant decrease in the cost of fiber optic systems relative to the cost of copper-based systems were to occur, such systems could become superior on a price/performance basis to copper-based systems. Part of our research and development efforts focus on expanding our fiber-optic based product portfolio.

Patents and Trademarks

We have a policy of seeking patents when appropriate on inventions concerning new products, product improvements, and advances in equipment and processes as part of our ongoing research, development, and manufacturing activities. We own many patents and registered trademarks worldwide that are used by our operating segments, with pending applications for numerous others. We consider our patents and trademarks to be valuable assets. Our most prominent trademarks are: Belden®, Alpha Wire™, Mohawk®, West Penn Wire™, Hirschmann®, Lumberg Automation™, SignalTight®, GarrettCom®, Poliron™, Tofino®, PPC®, Grass Valley®, ProSoft Technology®, and Tripwire®.

Raw Materials

The principal raw material used in many of our cable products is copper. Other materials we purchase in large quantities include fluorinated ethylene-propylene (FEP), polyvinyl chloride (PVC), polyethylene, aluminum-clad steel and copper-clad steel conductors, aluminum, brass, other metals, optical fiber, printed circuit boards, and electronic components. With respect to all major raw materials used by us, we generally have either alternative sources of supply or access to alternative materials. Supplies of these materials are generally adequate and are expected to remain so for the foreseeable future.

Over the past three years, the prices of metals, particularly copper, have been highly volatile. The chart below illustrates the high and low spot prices per pound of copper over the last three years.

	2016	2015	2014

Copper spot prices per pound			
High	$2.69	$2.95	$3.43
Low	$1.94	$2.02	$2.54

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Prices for materials such as PVC and other plastics derived from petrochemical feedstocks have also fluctuated. Since Belden utilizes the first in, first out (FIFO) inventory costing methodology, the impact of copper and other raw material cost changes on our cost of goods sold is delayed by approximately two months based on our rate of inventory turnover.

While we generally are able to adjust our pricing for fluctuations in commodity prices, we can experience short-term favorable or unfavorable variances. When the cost of raw materials increases, we are generally able to recover these costs through higher pricing of our finished products. The majority of our products are sold through distribution, and we manage the pricing of these products through published price lists, which we update from time to time, with new prices typically taking effect a few weeks after they are announced. Some OEM customer contracts have provisions for passing through raw material cost changes, generally with a lag of a few weeks to three months.

Backlog

Our business is characterized generally by short-term order and shipment schedules. Our backlog consists of product orders for which we have received a customer purchase order or purchase commitment and which have not yet been shipped. Orders are generally subject to cancellation or rescheduling by the customer. As of December 31, 2016, our backlog of orders believed to be firm was $198.6 million. The majority of the backlog at December 31, 2016 is scheduled to be shipped in 2017.

Environmental Matters

We are subject to numerous federal, state, provincial, local, and foreign laws and regulations relating to the storage, handling, emission, and discharge of materials into the environment, including the Comprehensive Environmental Response, Compensation, and Liability Act; the Clean Water Act; the Clean Air Act; the Emergency Planning and Community Right-To-Know Act; the Resource Conservation and Recovery Act; and similar laws in the other countries in which we operate. We believe that our existing environmental control procedures and accrued liabilities are adequate, and we have no current plans for substantial capital expenditures in this area.

Employees

As of December 31, 2016, we had approximately 8,400 employees worldwide. We also utilized approximately 400 workers under contract manufacturing arrangements. Approximately 1,800 employees are covered by collective bargaining agreements at various locations around the world. We believe our relationship with our employees is generally good.

Available Information

We file annual, quarterly, and current reports, proxy statements, and other information with the Securities and Exchange Commission (SEC). These reports, proxy statements, and other information contain additional information about us. You may read and copy these materials at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the Public Reference Room. The SEC also maintains a web site that contains reports, proxy and information statements, and other information about issuers who file electronically with the SEC. The Internet address of the site is www.sec.gov.

Belden maintains an Internet web site at www.belden.com where our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and all amendments to those reports and statements are available without charge, as soon as reasonably practicable following the time they are filed with or furnished to the SEC.

We will provide upon written request and without charge a printed copy of our Annual Report on Form 10-K. To obtain such a copy, please write to the Corporate Secretary, Belden Inc., 1 North Brentwood Boulevard, 15th Floor, St. Louis, MO 63105.

Executive Officers

The following table sets forth certain information with respect to the persons who were Belden executive officers as of February 17, 2017. All executive officers are elected to terms that expire at the organizational meeting of the Board of Directors following the Annual Meeting of Shareholders.

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Name	Age	Position
John Stroup	50	President, Chief Executive Officer, and Chairman
Brian Anderson	42	Senior Vice President, Legal, General Counsel and Corporate Secretary
Henk Derksen	48	Senior Vice President, Finance, and Chief Financial Officer
Christoph Gusenleitner	52	Executive Vice President, Industrial Connectivity Solutions
Dean McKenna	48	Senior Vice President, Human Resources
Glenn Pennycook	54	Executive Vice President, Enterprise Connectivity Solutions
Ross Rosenberg	47	Senior Vice President, Strategy and Corporate Development
Dhrupad Trivedi	50	Executive Vice President, Industrial IT Solutions and Network Security Solutions
Roel Vestjens	42	Executive Vice President, Broadcast Solutions
Doug Zink	41	Vice President and Chief Accounting Officer

John Stroup has been President, Chief Executive Officer and a member of the Board since October 2005. He was elected as Chairman of the Board on November 30, 2016. From 2000 to the date of his appointment with the Company, he was employed by Danaher Corporation, a manufacturer of professional instrumentation, industrial technologies, and tools and components. At Danaher, he initially served as Vice President, Business Development. He was promoted to President of a division of Danaher's Motion Group and later to Group Executive of the Motion Group. Earlier, he was Vice President of Marketing and General Manager with Scientific Technologies Inc. He has a B.S. in Mechanical Engineering from Northwestern University and an M.B.A. from the University of California at Berkeley Haas School of Business.

Brian Anderson was appointed Senior Vice President, Legal, General Counsel and Corporate Secretary in April 2015. Prior to that, he served as Corporate Attorney for the Company from May 2008 through March 2015. Prior to joining Belden, Mr. Anderson was in private practice at the law firm Lewis Rice. Mr. Anderson has a B.S.B. in Accounting and an M.B.A. from Eastern Illinois University and holds a J.D. from Washington University in St. Louis.

Henk Derksen has been Senior Vice President, Finance, and Chief Financial Officer since January 2012. Prior to that, he served as Vice President, Corporate Finance from July 2011 to December 2011 and Treasurer and Vice President, Financial Planning and Analysis of the Company from January 2010 to July 2011. In August of 2003, he became Vice President, Finance for the Company's EMEA division, after joining the Company at the end of 2000. Prior to joining the Company, he was Vice President and Controller of Plukon Poultry, a food processing company from 1998 to 2000, and has 5 years' experience in public accounting with Price Waterhouse and Baker Tilly. Mr. Derksen has a M.A. in Accounting from the University of Arnhem in the Netherlands and holds a doctoral degree in Business Economics in addition to an Executive Master of Finance & Control from Tias Business School in the Netherlands.

Christoph Gusenleitner has been Executive Vice President, Industrial Connectivity Solutions since April 2013. Prior to that, he served as Executive Vice President, EMEA Operations and Global Connectivity Products since joining Belden in April 2010. Prior to joining the Company, he was a partner at Bain & Company in its industrial goods and services practice in Munich. Prior to that, he was General Manager of KaVo Dental GmbH and Kaltenbach & Voigt GmbH in Biberach, Germany. KaVo is an affiliate of Danaher Corporation. During his four-year tenure at KaVo, Mr. Gusenleitner led the strategic planning process for the global Danaher Dental Equipment platform and led three business units and 18 sales subsidiaries in EMEA. He has a degree in electrical engineering from the University of Technology in Vienna, Austria and a Master of Science in Industrial Automation from Carnegie Mellon University.

Dean McKenna was appointed Senior Vice President, Human Resources in May 2015. Prior to joining Belden, he was Vice President of Human Resources for the international business of SC Johnson. Prior to SC Johnson, he worked in various senior international human resource, organizational development and talent positions at Ingredion, Akzo Nobel and ICI Group PLC. He received his degree in Strategic Human Resource Management at the Nottingham Business School in the United Kingdom.

Glenn Pennycook has been Executive Vice President, Enterprise Connectivity Solutions since May 2013. Prior to that, he was President of the Enterprise Solutions Division, after joining Belden in November 2008. Prior to joining the Company, he spent 5 years with Pregis Corporation as Director of Operations for Protective Packaging Europe, and was promoted to Managing Director for Western Europe in 2005. He has a degree in Chemical Engineering from McMaster University, Hamilton Ontario, Canada.

Ross Rosenberg has been Senior Vice President of Strategy & Corporate Development at the Company in February 2013, and became an executive officer in May 2014. Prior to joining the Company, he led corporate development and global marketing at First Solar, the world's largest provider of utility-scale solar power plant solutions. Prior to First Solar, Mr. Rosenberg ran a

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division of Danaher, a large diversified industrial technology company. At Danaher, he held several executive management roles, as well as vice president, marketing for a division and group vice president, strategy and business development. Mr. Rosenberg holds a B.S. in Accounting from University of Illinois, an M.B.A. from The Wharton School at the University of Pennsylvania and is a Certified Public Accountant.

Dhrupad Trivedi has been Executive Vice President, Industrial IT Solutions since April 2013, and Executive Vice President, Network Security Solutions since August 2016. Prior to that, he was responsible for the Corporate Development and Strategy function since joining Belden in January 2010. Earlier, he was President, Trapeze Networks. Prior to joining the Company, he was responsible for General Management and Corporate Development roles at JDS Uniphase. He has 18 years of experience in the Networking and Communications industry. Dhrupad has an MBA from Duke University and a Ph.D. in Electrical Engineering from University of Massachusetts, Amherst.

Roel Vestjens has been Executive Vice President, Broadcast Solutions since March 2014. Mr. Vestjens joined Belden in 2006 as Director of Marketing for the EMEA region. In April 2008, Mr. Vestjens was promoted to Director of Sales and Marketing for the Industrial Connectivity Solutions business, and in January 2009, he was appointed General Manager of Belden’s Wire and Cable Systems business in EMEA. Mr. Vestjens relocated to Asia in November 2010, and became President of the APAC OEM business, followed by President of all APAC Operations in May 2012. Mr. Vestjens joined Belden from Royal Philips Electronics where he held various European sales and marketing positions. Mr. Vestjens holds a bachelor degree in Electrical Engineering and a Master of Science and Management degree from Nyenrode Business University in the Netherlands.

Doug Zink has been Vice President and Chief Accounting Officer since September 2013. Prior to that, he has served as the Company’s Vice President, Internal Audit; Corporate Controller; and Director of Financial Reporting, after joining Belden in May 2007. Prior to joining the Company, he was a Financial Reporting Manager at TLC Vision Corporation, an eye care service company, from 2004 to 2007, and has five years of experience in public accounting with KPMG LLP and Arthur Andersen LLP. He holds Bachelor’s and Master’s Degrees in Accounting from Texas Christian University and is a Certified Public Accountant.

Cautionary Information Regarding Forward-Looking Statements

We make forward-looking statements in this Annual Report on Form 10-K, in other materials we file with the SEC or otherwise release to the public, and on our website. In addition, our senior management might make forward-looking statements orally to investors, analysts, the media, and others. Statements concerning our future operations, prospects, strategies, financial condition, future economic performance (including growth and earnings) and demand for our products and services, and other statements of our plans, beliefs, or expectations, including the statements contained in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” that are not historical facts, are forward-looking statements. In some cases these statements are identifiable through the use of words such as “anticipate,” “believe,” “estimate,” “forecast,” “guide,” “expect,” “intend,” “plan,” “project,” “target,” “can,” “c “should,” “will,” “would,” and similar expressions. The forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks, and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. These factors include, among others, those set forth in the following section and in the other documents that we file with the SEC.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Item 1A. Risk Factors

Following is a discussion of some of the more significant risks that could materially impact our business. There may be additional risks that impact our business that we currently do not recognize as, or that are not currently, material to our business.

We may be unable to achieve our goals related to growth.

In order to meet the goals in our strategic plan, we must grow our business, both organically and through acquisitions. Our goal is to generate total revenue growth of 5-7% per year in constant currency. We may be unable to achieve this desired growth due to a failure to identify growth opportunities, such as trends and technological changes in our end markets. We may ineffectively execute our Market Delivery System, which is designed to identify and capture growth opportunities. The broadcast, enterprise, and industrial end markets we serve may not experience the growth we expect. Further, those markets may be unable to sustain growth on a long-term basis, particularly in emerging markets. If we are unable to achieve our goals related to growth, it could have a material adverse effect on our results of operations, financial position, and cash flows.

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A challenging global economic environment or a downturn in the markets we serve could adversely affect our operating results and stock price in a material manner.

A challenging global economic environment could cause substantial reductions in our revenue and results of operations as a result of weaker demand by the end users of our products and price erosion. Price erosion may occur through competitors becoming more aggressive in pricing practices. A challenging global economy could also make it difficult for our customers, our vendors, and us to accurately forecast and plan future business activities. Our customers could also face issues gaining timely access to sufficient credit, which could have an adverse effect on our results if such events cause reductions in revenues, delays in collection, or write-offs of receivables. Further, the demand for many of our products is economically sensitive and will vary with general economic activity, trends in nonresidential construction, investment in manufacturing facilities and automation, demand for information and broadcast technology equipment, and other economic factors.

Global economic uncertainty could result in a significant decline in the value of foreign currencies relative to the U.S. dollar, which could result in a significant adverse effect on our revenues and results of operations; could make it extremely difficult for our customers and us to accurately forecast and plan future business activities; and could cause our customers to slow or reduce spending on our products and services. Economic uncertainty could also arise from fiscal policy changes in the countries in which we operate.

Changes in foreign currency rates and commodity prices can impact the buying power of our customers. For example, a strengthened U.S. dollar can result in relative price increases for our products for customers outside of the U.S., which can have a negative impact on our revenues and results of operations. Furthermore, customers' ability to invest in capital expenditures, such as our products, can depend upon proceeds from commodities, such as oil and gas markets. A decline in energy prices, therefore, can have a negative impact on our revenues and results of operations.

The global markets in which we operate are highly competitive.

We face competition from other manufacturers for each of our global business platforms and in each of our geographic regions. These companies compete on price, reputation and quality, product technology and characteristics, and terms. Some multinational competitors have greater engineering, financial, manufacturing, and marketing resources than we have. Actions that may be taken by competitors, including pricing, business alliances, new product introductions, market penetration, and other actions, could have a negative effect on our revenues and profitability. Moreover, during economic downturns, some competitors that are highly leveraged both financially and operationally could become more aggressive in their pricing of products.

We must complete further acquisitions in order to achieve our strategic plan.

In order to meet the goals in our strategic plan, we must complete further acquisitions. The extent to which appropriate acquisitions are made will affect our overall growth, operating results, financial condition, and cash flows. Our ability to acquire businesses successfully will decline if we are unable to identify appropriate acquisition targets consistent with our strategic plan, the competition among potential buyers increases, the cost of acquiring suitable businesses becomes too expensive, or we lack sufficient sources of capital. As a result, we may be unable to make acquisitions or be forced to pay more or agree to less advantageous acquisition terms for the companies that we are able to acquire.

Volatility of credit markets could adversely affect our business.

Uncertainty in U.S. and global financial and equity markets could make it more expensive for us to conduct our operations and more difficult for our customers to buy our products. Additionally, market volatility or uncertainty may cause us to be unable to pursue or complete acquisitions. Our ability to implement our business strategy and grow our business, particularly through acquisitions, may depend on our ability to raise capital by selling equity or debt securities or obtaining additional debt financing. Market conditions may prevent us from obtaining financing when we need it or on terms acceptable to us.

Our results of operations are subject to foreign and domestic political, economic, and other uncertainties and are affected by changes in currency exchange rates.

In addition to manufacturing and other operating facilities in the U.S., we have manufacturing and other operating facilities in Brazil, Canada, China, Japan, Mexico, St. Kitts, and several European countries. We rely on suppliers in many countries, including China. Our foreign operations are subject to economic and political risks inherent in maintaining operations abroad such as economic and political destabilization, land use risks, international conflicts, restrictive actions by foreign governments, and adverse foreign tax laws. In addition to economic and political risk, a risk associated with our European manufacturing operations is the higher relative expense and length of time required to adjust manufacturing employment capacity. We also face political risks in the U.S., including tax or regulatory risks or potential adverse impacts from legislative impasses over, or significant

legislative, regulatory or executive changes in fiscal or monetary policy and other foreign and domestic government policies, including, but not limited to, trade policies and import/export policies.

Approximately 45% of our sales are outside the U.S. Other than the U.S. dollar, the principal currencies to which we are exposed through our manufacturing operations, sales, and related cash holdings are the euro, the Canadian dollar, the Hong Kong dollar, the Chinese yuan, the Japanese yen, the Mexican peso, the Australian dollar, the British pound, and the Brazilian real. Generally, we have revenues and costs in the same currency, thereby reducing our overall currency risk, although any realignment of our manufacturing capacity among our global facilities could alter this balance. When the U.S. dollar strengthens against other currencies, the results of our non-U.S. operations are translated at a lower exchange rate and thus into lower reported revenues and earnings.

We may experience significant variability in our quarterly and annual effective tax rate which would affect our reported net income.

We have a complex tax profile due to the global nature of our operations, which encompass multiple taxing jurisdictions. Variability in the mix and profitability of domestic and international activities, identification and resolution of various tax uncertainties, changes in tax laws and rates, and the extent to which we are able to realize net operating loss and other carryforwards included in deferred tax assets and avoid potential adverse outcomes included in deferred tax liabilities, among other matters, may significantly affect our effective income tax rate in the future.

Changes in U.S. or international tax laws could materially affect our financial position and results of operations. The U.S. is actively considering changes to existing tax laws including lower corporate tax rates and changes to the taxability of imports and exports. In addition, many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws. If tax laws and related regulations change, our financial results could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is possible such changes could adversely impact our financial results.

Our effective income tax rate is the result of the income tax rates in the various countries in which we do business. Our mix of income and losses in these jurisdictions affects our effective tax rate. For example, relatively more income in higher tax rate jurisdictions would increase our effective tax rate and thus lower our net income. Similarly, if we generate losses in tax jurisdictions for which no benefits are available, our effective income tax rate will increase. Our effective income tax rate may also be impacted by the recognition of discrete income tax items, such as required adjustments to our liabilities for uncertain tax positions or our deferred tax asset valuation allowance. A significant increase in our effective income tax rate could have a material adverse impact on our earnings.

Of our $848.1 million cash and cash equivalents balance as of December 31, 2016, $249.4 million was held outside of the U.S. in our foreign operations. If we were to repatriate the foreign cash to the U.S., we would be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations.

Changes in the price and availability of raw materials we use could be detrimental to our profitability.

Copper is a significant component of the cost of most of our cable products. Over the past few years, the prices of metals, particularly copper, have been highly volatile. Prices of other materials we use, such as polyvinylchloride (PVC) and other plastics derived from petrochemical feedstocks, have also been volatile. Generally, we have recovered much of the higher cost of raw materials through higher pricing of our finished products. The majority of our products are sold through distribution, and we manage the pricing of these products through published price lists which we update from time to time, with new prices typically taking effect a few weeks after they are announced. Some OEM contracts have provisions for passing through raw material cost changes, generally with a lag of a few

weeks to three months. If we are unable to raise prices sufficiently to recover our material costs, our earnings could decline. If we raise our prices but competitors raise their prices less, we may lose sales, and our earnings could decline. If the price of copper were to decline, we may be compelled to reduce prices to remain competitive, which could have a negative effect on revenues. While we generally believe the supply of raw materials (copper, plastics, and other materials) is adequate, we have experienced instances of limited supply of certain raw materials, resulting in extended lead times and higher prices. If a supply interruption or shortage of materials were to occur (including due to labor or political disputes), this could have a negative effect on revenues and earnings.

We rely on several key distributors in marketing our products.

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The majority of our sales are through distributors. These distributors purchase and carry the products of our competitors along with our products. Our largest distributor, Anixter International Inc., accounted for 12% of our revenue in 2016. If we were to lose a key distributor, our revenue and profits would likely be reduced, at least temporarily. Changes in the inventory levels of our products owned and held by our distributors can result in significant variability in our revenues. Further, certain distributors are allowed to return certain inventory in exchange for an order of equal or greater value. We have recorded reserves for the estimated impact of these inventory policies.

Consolidation of our distributors, particularly where the survivor relies more heavily on our competitors, could adversely impact our revenues and earnings. It could also result in consolidation of distributor inventory, which would temporarily depress our revenues. We have also experienced financial failure of distributors from time to time, resulting in our inability to collect accounts receivable in full. A global economic downturn could cause financial difficulties (including bankruptcy) for our distributors and other customers, which would adversely affect our results of operations.

We may be unable to implement our strategic plan successfully.

Our strategic plan is designed to continually enhance shareholder value by improving revenues and profitability, reducing costs, and improving working capital management. To achieve these goals, our strategic priorities are reliant on our Belden Business System, which includes continuing deployment of our MDS so as to capture market share through end-user engagement, channel management, outbound marketing, and careful vertical market selection; improving our recruitment and development of talented associates; developing strong global business platforms; acquiring businesses that fit our strategic plan; and becoming a leading Lean company. Lean refers to a business management system that strives to create value for customers and deliver that value to the right place, at the right time, and in the right quantities while reducing or eliminating waste from all processes. We have a disciplined process for deploying this strategic plan through our associates. There is a risk that we may not be successful in developing or executing these measures to achieve the expected results for a variety of reasons, including market developments, economic conditions, shortcomings in establishing appropriate action plans, or challenges with executing multiple initiatives simultaneously. For example, our MDS initiative may not succeed or we may lose market share due to challenges in choosing the right products to market or the right customers for these products, integrating products of acquired companies into our sales and marketing strategy, or strategically bidding against OEM partners. We may fail to identify growth opportunities. We may not be able to acquire businesses that fit our strategic plan on acceptable business terms, and we may not achieve our other strategic priorities.

Potential problems with our information systems could interfere with our business and operations.

We rely on our information systems and those of third parties for storing proprietary company information about our products and intellectual property, as well as for processing customer orders, manufacturing and shipping products, billing our customers, tracking inventory, supporting accounting functions and financial statement preparation, paying our employees, and otherwise running our business. Any disruption, whether from hackers or other sources, in our information systems or those of the third parties upon whom we rely could have a significant impact on our business. In addition, we may need to enhance our information systems to provide additional capabilities and functionality. The implementation of new information systems and enhancements is frequently disruptive to the underlying business of an enterprise. Any disruptions affecting our ability to accurately report our financial performance on a timely basis could adversely affect our business in a number of respects. If we are unable to successfully implement potential future information systems enhancements, our financial position, results of operations, and cash flows could be negatively impacted.

We, and others on our behalf, store “personally identifiable information” (“PII”) with respect to employees, vendors, customers, and others. While we have implemented safeguards to protect the privacy of this information, it is possible

that hackers or others might obtain this information. If that occurs, in addition to having to take potentially costly remedial action, we also may be subject to fines, penalties, lawsuits, and reputational damage.

Our future success depends in part on our ability to develop and introduce new products.

Our markets are characterized by the introduction of products with increasing technological capabilities. The relative costs and merits of our solutions could change in the future as various competing technologies address the market opportunities. In addition, the products sold by our recently acquired businesses generally have shorter life cycles than our legacy product portfolio. We believe that our future success will depend in part upon our ability to enhance existing products and to develop and manufacture new products that meet or anticipate technological changes, which will require continued investment in engineering, research and development, capital equipment, marketing, customer service, and technical support. We have long been successful in introducing successive generations of more capable products, but if we were to fail to keep pace with technology or with the products of

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competitors, we might lose market share and harm our reputation and position as a technology leader in our markets. See the discussion above in Part I, Item 1, under Research and Development.

If we are unable to retain senior management and key employees, our business operations could be adversely affected.

Our success has been largely dependent on the skills, experience, and efforts of our senior management and key employees. The loss of any of our senior management or other key employees, for example sales and product development employees, could have an adverse effect on us. We may not be able to find qualified replacements for these individuals and the integration of potential replacements may be disruptive to our business. More broadly, a key determinant of our success is our ability to attract, develop, and retain talented associates. While this is one of our strategic priorities, we may not be able to succeed in this regard.

We might have difficulty protecting our intellectual property from use by competitors, or competitors might accuse us of violating their intellectual property rights.

Disagreements about patents and other intellectual property rights occur in the markets we serve. Third parties have asserted and may in the future assert claims of infringement of intellectual property rights against us or against our customers or channel partners for which we may be liable. Furthermore, a successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing certain products or performing certain services. We may encounter difficulty enforcing our own intellectual property rights against third parties, which could result in price erosion or loss of market share.

Our use of open source software could negatively impact our ability to sell our products and may subject us to unanticipated obligations.

The products, services, or technologies we acquire, license, provide, or develop may incorporate or use open source software. We monitor and restrict our use of open source software in an effort to avoid unintended consequences, such as reciprocal license grants, patent retaliation clauses, and the requirement to license our products at no cost. Nevertheless, we may be subject to unanticipated obligations regarding our products which incorporate or use open source software.

We are subject to laws and regulations worldwide, changes to which could increase our costs and individually or in the aggregate adversely affect our business.

We are subject to laws and regulations affecting its domestic and international operations in a number of areas. These U.S. and foreign laws and regulations affect our activities including, but not limited to, in areas of labor, advertising, real estate, billing, e-commerce, promotions, quality of services, property ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, environmental, health and safety.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products in one or more regions, or cause us to change or limit our business practices. We have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations or our policies and procedures.

We may have difficulty integrating the operations of acquired businesses, which could negatively affect our results of operations and profitability.

We may have difficulty integrating acquired businesses and future acquisitions might not meet our performance expectations. Some of the integration challenges we might face include differences in corporate culture and management styles, additional or conflicting governmental regulations, preparation of the acquired operations for compliance with the Sarbanes-Oxley Act of 2002, financial reporting that is not in compliance with U.S. generally accepted accounting principles, disparate company policies and practices, customer relationship issues, and retention of key personnel. In addition, management may be required to devote a considerable amount of time to the integration process, which could decrease the amount of time we have to manage the other businesses. We may not be able to integrate operations successfully or cost-effectively, which could have a negative impact on our results of operations or our profitability. The process of integrating operations could also cause some interruption of, or the loss of momentum in, the activities of acquired businesses.

Perceived failure of our signal transmission solutions to provide expected results may result in negative publicity and harm

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our business and operating results.

Our customers use our signal transmission solutions in a wide variety of IT systems and application environments in order to help reduce security vulnerabilities and demonstrate compliance. Despite our efforts to make clear in our marketing materials and customer agreements the capabilities and limitations of these products, some customers may incorrectly view the deployment of such products in their IT infrastructure as a guarantee that there will be no security breach or policy non-compliance event. As a result, the occurrence of a high profile security breach, or a failure by one of our customers to pass a regulatory compliance IT audit, could result in public and customer perception that our solutions are not effective and harm our business and operating results, even if the occurrence is unrelated to the use of such products or if the failure is the result of actions or inactions on the part of the customer.

We may be unable to achieve our strategic priorities in emerging markets.

Emerging markets are a significant focus of our strategic plan. The developing nature of these markets presents a number of risks. We may be unable to attract, develop, and retain appropriate talent to manage our businesses in emerging markets. Deterioration of social, political, labor, or economic conditions in a specific country or region may adversely affect our operations or financial results. Emerging markets may not meet our growth expectations, and we may be unable to maintain such growth or to balance such growth with financial goals and compliance requirements. Among the risks in emerging market countries are bureaucratic intrusions and delays, contract compliance failures, engrained business partners that do not comply with local or U.S. law, such as the Foreign Corrupt Practices Act, fluctuating currencies and interest rates, limitations on the amount and nature of investments, restrictions on permissible forms and structures of investment, unreliable legal and financial infrastructure, regime disruption and political unrest, uncontrolled inflation and commodity prices, fierce local competition by companies with better political connections, and corruption. In addition, the costs of compliance with local laws and regulations in emerging markets may negatively impact our competitive position as compared to locally owned manufacturers.

If our goodwill or other intangible assets become impaired, we would be required to recognize charges that would reduce our income.

Under accounting principles generally accepted in the U.S., goodwill and certain other intangible assets are not amortized but must be reviewed for possible impairment annually or more often in certain circumstances if events indicate that the asset values may not be recoverable. We have incurred significant charges for the impairment of goodwill and other intangible assets in the past, and we may be required to do so again in future periods if the underlying value of our business declines. Such a charge would reduce our income without any change to our underlying cash flows.

Some of our employees are members of collective bargaining groups, and we might be subject to labor actions that would interrupt our business.

Some of our employees, primarily outside the U.S., are members of collective bargaining groups. We believe that our relations with employees are generally good. However, if there were a dispute with one of these bargaining groups, the affected operations could be interrupted, resulting in lost revenues, lost profit contribution, and customer dissatisfaction.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Belden owns and leases manufacturing, warehousing, sales, and administrative space in locations around the world. We also have a corporate office that we lease in St. Louis, Missouri. The leases are of varying terms, expiring from 2017 through 2026.

The table below summarizes the geographic locations of our manufacturing and other operating facilities utilized by our segments as of December 31, 2016.

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	Broadcast Solutions	Enterprise Connectivity Solutions	Industrial Connectivity Solutions	Industrial IT Solutions	Network Security Solutions	Utilized by Multiple Segments	Total
Brazil	—	—	1	—	—	—	1
Canada	1	—	1	—	—	—	2
China	1	—	—	—	—	1	2
Czech Republic	—	—	1	—	—	—	1
Denmark	1	1	—	—	—	—	2
Germany	—	—	2	2	—	—	4
Hungary	—	—	—	—	—	1	1
Italy	—	—	—	—	—	1	1
Japan	1	—	—	—	—	—	1
Mexico	1	—	—	—	—	2	3
Netherlands	1	—	1	—	—	—	2
St. Kitts	1	—	—	—	—	—	1
United Kingdom	2	—	—	—	—	—	2
United States	2	1	3	1	2	5	14
Total	11	2	9	3	2	10	37

In addition to the manufacturing and other operating facilities summarized above, our segments also utilize approximately 33 warehouses worldwide. As of December 31, 2016, we owned or leased a total of approximately 7 million square feet of facility space worldwide. We believe that our production facilities are suitable for their present and intended purposes and adequate for our current level of operations.

Item 3. Legal Proceedings

PPC Broadband, Inc. v. Corning Optical Communications RF, LLC - On July 5, 2011, the Company's wholly-owned subsidiary, PPC Broadband, Inc. ("PPC"), filed an action for patent infringement in the U.S. District Court for the Northern District of New York against Corning Optical Communications RF LLC ("Corning"). The Complaint alleged that Corning infringed two of PPC's patents - U.S. Patent Nos. 6,558,194 and 6,848,940 - each entitled "Connector and Method of Operation." In July 2015, a jury found that Corning willfully infringed both patents. In November 2016, following a series of post-trial motions, the trial judge issued rulings for a total judgment in our favor of approximately $61.3 million. On December 2, 2016, Corning appealed the case to the U.S. Court of Appeals for the Federal Circuit, and that appeal remains pending. We have not recorded any amounts in our consolidated financial statements related to this matter due to the pendency of the appeal.

We are also a party to various legal proceedings and administrative actions that are incidental to our operations. In our opinion, the proceedings and actions in which we are involved should not, individually or in the aggregate, have a material adverse effect on our financial condition, operating results, or cash flows. However, since the trends and outcome of this litigation are inherently uncertain, we cannot give absolute assurance regarding the future resolution of such litigation, or that such litigation may not become material in the future.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol "BDC."

As of February 14, 2017, there were 289 record holders of common stock of Belden Inc.

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We declared a dividend of $0.05 per share of common stock in each quarter of 2016 and 2015. We anticipate that comparable cash dividends will continue to be paid quarterly in the foreseeable future.

Common Stock Prices and Dividends

	2016 (By Quarter)			
	1	2	3	4
Dividends per common share	$0.05	$0.05	$0.05	$0.05
Common stock prices:				
High	$62.78	$67.19	$75.91	$81.33
Low	$36.51	$54.97	$56.95	$60.06

	2015 (By Quarter)			
	1	2	3	4
Dividends per common share	$0.05	$0.05	$0.05	$0.05
Common stock prices:				
High	$92.81	$95.56	$84.00	$65.00
Low	$77.67	$83.00	$46.83	$44.37

In July 2011, our Board of Directors authorized a share repurchase program, which allowed us to purchase up to $150.0 million of our common stock through open market repurchases, negotiated transactions, or other means, in accordance with applicable securities laws and other restrictions. In November 2012, our Board of Directors authorized an extension of the share repurchase program, which allowed us to purchase up to an additional $200.0 million of our common stock. This program was funded by cash on hand and cash flows from operating activities. The program did not have an expiration date and could have been suspended at any time at the discretion of the Company. From inception of the program, we repurchased 7.4 million shares of our common stock under the program for an aggregate cost of $350.0 million and an average price of $47.43. We did not repurchase any common stock during 2016. In 2015, we repurchased 0.7 million shares of our common stock under the share repurchase program for an aggregate cost of $39.1 million and an average price per share of $55.95. The repurchase activities in 2015 utilized all remaining authorized amounts under the share repurchase program. In 2014, we repurchased 1.3 million shares of our common stock under the program for an aggregate cost of $92.2 million and an average price of $73.06 per share. In 2013, we repurchased 1.7 million shares of our common stock under the program for an aggregate cost of $93.8 million and an average price of $54.76 per share.

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Stock Performance Graph

The following graph compares the cumulative total shareholder return on Belden's common stock over the five-year period ended December 31, 2016, with the cumulative total return during such period of the Standard and Poor's 500 Stock Index and the Standard and Poor's 1500 Industrials Index. The comparison assumes $100 was invested on December 31, 2011, in Belden's common stock and in each of the foregoing indices and assumes reinvestment of dividends. The stock performance shown on the graph below represents historical stock performance and is not necessarily indicative of future stock price performance.

(1) The chart above and the accompanying data are "furnished," not "filed," with the SEC.

Total Return To Shareholders
(Includes reinvestment of dividends)

	ANNUAL RETURN PERCENTAGE				
	Years Ending December 31,				
Company Name / Index	2012	2013	2014	2015	2016
Belden Inc.	35.9 %	57.1 %	12.2 %	(39.3)%	57.3 %
S&P 500 Index	16.0 %	32.4 %	13.7 %	1.4 %	12.0 %
S&P 1500 Industrials Index	16.5 %	41.2 %	8.5 %	(2.7)%	20.4 %

		INDEXED RETURNS				
		Years Ending December 31,				
Company Name / Index	Base Period 2011	2012	2013	2014	2015	2016
Belden Inc.	$ 100.00	$135.90	$213.55	$239.55	$145.40	$228.71
S&P 500 Index	100.00	116.00	153.57	174.60	177.01	198.18
S&P 1500 Industrials Index	100.00	116.46	164.43	178.37	173.53	208.94

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Item 6. Selected Financial Data

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except per share amounts and percentages)				
Balance sheet data:					
Total assets	$3,806,803	$3,290,602	$3,232,202	$2,728,687	$2,569,823
Long-term debt	1,620,161	1,725,282	1,736,954	1,341,470	1,120,767
Long-term debt, including current maturities	1,620,161	1,727,782	1,739,454	1,343,970	1,136,445
Total stockholders' equity	1,461,317	825,523	807,186	836,541	811,860
Statement of operations data:					
Revenues	2,356,672	2,309,222	2,308,265	2,069,193	1,840,739
Operating income	223,853	140,553	163,119	201,262	108,497
Operating income margin	9.5 %	6.1 %	7.1 %	9.7 %	5.9 %
Income from continuing operations	127,646	66,508	74,432	104,734	43,236
Basic income per share from continuing operations attributable to Belden common stockholders	2.67	1.57	1.72	2.39	0.96
Diluted income per share from continuing operations attributable to Belden common stockholders	2.65	1.55	1.69	2.34	0.94
Other data:					
Basic weighted average common shares outstanding	42,093	42,390	43,273	43,871	45,097
Diluted weighted average common shares outstanding	42,557	42,953	43,997	44,737	45,942
Dividends per common share	$0.20	$0.20	$0.20	$0.20	$0.20
Statement of cash flow data:					
Net cash provided by operating activities	314,794	241,460	200,887	175,335	143,507
Adjusted results:					
Adjusted revenues	2,357,805	2,360,583	2,320,219	2,084,490	1,847,011
Adjusted EBITDA	431,201	400,688	359,425	327,210	239,671
Adjusted EBITDA margin	18.3 %	17.0 %	15.5 %	15.7 %	13.0 %
Free cash flow	261,212	187,024	195,032	210,103	149,333

Consolidated Results

Since 2012, we have grown our revenues by 28.0%, from $1.8 billion in 2012 to $2.4 billion in 2016, representing a 5.1% compounded annual growth rate for that period. The majority of our revenue growth has been the result of our inorganic initiatives, described below, as we have been operating in a period of modest end market growth rates.

The trends in our operating income and income from continuing operations from 2012-2016 have been impacted by a number of acquisitions, dispositions, productivity improvement programs, and other matters, as follows:

- During 2016, we recognized severance, restructuring, and acquisition integration costs of $38.8 million related to a number of productivity improvement programs. In addition, we acquired M2FX Limited in our fiscal first quarter.
- During 2015, we recognized severance, restructuring, and acquisition integration costs of $47.2 million related to a number of productivity improvement programs. In addition, we acquired Tripwire in our fiscal first quarter. We also recognized $9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards related to our acquisition of Tripwire.

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- During 2014, we recognized severance, restructuring, and acquisition integration costs of $70.8 million related to the integration of acquired businesses and a productivity improvement program. In 2014, we acquired Grass Valley, ProSoft, and Coast. We recognized purchase accounting effects related to acquisitions, including the adjustment of acquired inventory to fair value, of $8.4 million.
- During 2013, we recognized severance and other restructuring costs, including accelerated depreciation expense, of $19.8 million, primarily related to plant consolidation activities in our Broadcast segment, and purchase accounting effects related to acquisitions, including the adjustment of acquired inventory to fair value, of $6.6 million. In 2013, we acquired Softel in our fiscal first quarter.
- In 2012, we acquired Miranda Technologies Inc. in our fiscal third quarter and PPC Broadband, Inc. in our fiscal fourth quarter. We sold certain assets of our Chinese cable operations that conducted business primarily in the consumer electronics end market at the end of our fiscal fourth quarter. We sold our Thermax and Raydex cable business in 2012, which has been treated as a discontinued operation. During 2012, we also recognized a loss on debt extinguishment of $52.5 million, asset impairment and loss on sale of assets of $33.7 million, purchase accounting effects related to acquisitions, including the adjustment of acquired inventory to fair value, of $18.8 million, and severance and other restructuring costs of $17.9 million.

See further discussion of our acquisitions and productivity improvement programs in Notes 3 and 13 to the Consolidated Financial Statements.

Since 2012, we have grown our operating cash flow by 119.4%, from $143.5 million in 2012 to $314.8 million in 2016, representing a 17.0% compounded annual growth rate for that period. Our strong operating cash flow is driven by our earnings growth, coupled with our efficient use of working capital.

Adjusted Results

Since 2012, we have grown our Adjusted Revenues by 27.7%, from $1.8 billion in 2012 to $2.4 billion in 2016, representing a 5.0% compounded annual growth rate for that period. The majority of our Adjusted Revenue growth has been the result of our inorganic initiatives, described above, as we have been operating in a period of modest end market growth rates.

We have grown our Adjusted EBITDA by 79.9%, from $239.7 million in 2012 to $431.2 million in 2016, representing a 12.5% compounded annual growth rate for that period. Adjusted EBITDA has grown due to the results of our inorganic initiatives, described above, which have transformed our product portfolio. Importantly, however, our Adjusted EBITDA has also grown due to the impact of productivity improvement programs, as we are committed to continuously improving our cost structure in a low organic growth environment. Furthermore, our Adjusted EBITDA has improved as Lean enterprise techniques have been applied at our acquired companies. These factors have all led to the improvement in Adjusted EBITDA margins from 13.0% in 2012 to 18.3% in 2016.

Since 2012, we have grown our free cash flow by 75.0%, from $149.3 million in 2012 to $261.2 million in 2016, representing an 11.8% compounded annual growth rate for that period. Our strong free cash flow is driven by our earnings growth, coupled with our efficient use of working capital and fixed assets.

Use of Non-GAAP Financial Information

Adjusted Revenues, Adjusted EBITDA, Adjusted EBITDA margin, and free cash flow are non-GAAP financial measures. In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide non-GAAP operating results adjusted for certain items, including: asset impairments; accelerated depreciation expense due to plant consolidation activities; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value, and transaction costs; severance, restructuring, and acquisition integration costs; gains (losses) recognized on the disposal of businesses and tangible assets; amortization of intangible assets; gains (losses) on debt extinguishment; certain revenues and gains (losses) from patent settlements; discontinued operations; and other costs. We adjust for the items listed above in all periods presented, unless the impact is clearly immaterial to our financial statements. When we calculate the tax effect of the adjustments, we include all current and deferred income tax expense commensurate with the adjusted measure of pre-tax profitability.

We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis. As an example, we adjust for the purchase accounting effect of recording deferred revenue at

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fair value in order to reflect the revenues that would have otherwise been recorded by acquired businesses had they remained as independent entities. We believe this presentation is useful in evaluating the underlying performance of acquired companies. Similarly, we adjust for other acquisition-related expenses, such as amortization of intangibles and other impacts of fair value adjustments because they generally are not related to the acquired businesses' core business performance. As an additional example, we exclude the costs of restructuring programs, which can occur from time to time for our current businesses and/or recently acquired businesses. We exclude the costs in calculating adjusted results to allow us and investors to evaluate the performance of the business based upon its expected ongoing operating structure. We believe the adjusted measures, accompanied by the disclosure of the costs of these programs, provides valuable insight.

We define free cash flow, which is a non-GAAP financial measure, as net cash from operating activities adjusted for capital expenditures net of the proceeds from the disposal of tangible assets, cash payments for severance and other costs for the integration of our 2014 acquisition of Grass Valley, non-recurring tax payments related to divestitures and the settlement of a tax sharing agreement, certain acquisition and divestiture transaction costs, and non-recurring payments related to divestitures. We believe free cash flow provides useful information to investors regarding our ability to generate cash from business operations that is available for acquisitions and other investments, service of debt principal, dividends and share repurchases. We use free cash flow, as defined, as one financial measure to monitor and evaluate performance and liquidity. Non-GAAP financial measures should be considered only in conjunction with financial measures reported according to accounting principles generally accepted in the United States. Our definition of free cash flow may differ from definitions used by other companies.

Adjusted results should be considered only in conjunction with results reported according to accounting principles generally accepted in the United States. The following tables reconcile our GAAP results to our non-GAAP financial measures:

	Years Ended				
	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
	(In thousands, except percentages)				
GAAP revenues	$ 2,356,672	$2,309,222	$ 2,308,265	$ 2,069,193	$ 1,840,739
Deferred revenue adjustments (1)	6,687	51,361	11,954	15,297	6,272
Patent settlement (2)	(5,554)	—	—	—	—
Adjusted revenues	$ 2,357,805	$2,360,583	$ 2,320,219	$ 2,084,490	$ 1,847,011
GAAP net income attributable to Belden	128,003	$66,204	$ 74,449	$ 103,313	$ 194,490
Interest expense, net	95,050	100,613	81,573	72,601	51,005
Loss on debt extinguishment	2,342	—	—	1,612	52,450
Income tax expense (benefit)	(1,185)	(26,568)	7,114	22,315	(38,194)
Loss (Income) from discontinued operations	—	242	(579)	1,421	(16,774)
Loss (Gain) from disposal of discontinued operations	—	86	562	—	(134,480)
Noncontrolling interest	(357)	(24)	—	—	—
Amortization of intangible assets	98,385	103,791	58,426	50,803	22,792
Depreciation expense	47,208	46,551	43,736	43,648	35,095
Severance, restructuring, and acquisition integration costs (3)	38,770	47,170	70,827	14,888	17,927
	23,931	—	—	—	33,676

Impairment of assets held for sale [4]										
Deferred gross profit adjustments [1]	6,687		52,876		10,777		11,337		2,902	
Purchase accounting effects related to acquisitions [5]	(2,079	)	9,747		12,540		6,550		18,782	
Patent settlement [2]	(5,554	)	—		—		—		—	
Gain on sale of assets	—		—		—		(1,278	)	—	
Adjusted EBITDA	$ 431,201		$400,688		$ 359,425		$ 327,210		$ 239,671	
GAAP net income margin	5.4	%	2.9	%	3.2	%	5.0	%	10.6	%
Adjusted EBITDA margin	18.3	%	17.0	%	15.5	%	15.7	%	13.0	%

(1) Both our consolidated revenues and gross profit were negatively impacted by the reduction of the acquired deferred revenue balance to fair value associated with our acquisition of Tripwire on January 2, 2015, Grass Valley on March 31, 2014, and Miranda Technologies on July 27, 2012. See Note 3 to the Consolidated Financial Statements, Acquisitions.

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(2) Both our consolidated revenues and gross profit were positively impacted by royalty revenues received during 2016 that related to years prior to 2016 as a result of a patent settlement.

(3) See Note 13 to the Consolidated Financial Statements, Severance, Restructuring, and Acquisition Integration Activities, for details.

(4) In 2016, we recognized a $23.9 million impairment of assets held for sale. See Note 4, Assets Held for Sale, for details. In 2012, we recognized a $33.7 million asset impairment and loss on sale of assets for certain assets of our Chinese cable operations that we sold during 2012.

(5) In 2016, we made a $3.2 million adjustment to reduce the earn-out liability associated with the M2FX acquisition. This adjustment was partially offset by $0.8 million and $0.2 million of cost of sales related to the adjustment of acquired inventory to fair value related our Enterprise segment and M2FX acquisition, respectively. In 2015, we recognized $9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards associated with our acquisition of Tripwire. In addition, we recognized $0.3 million of cost of sales related to the adjustment of acquired inventory to fair value related to our acquisition of Coast and $0.3 million of acquisition related transaction costs. In 2014, we recognized $8.4 million of cost of sales related to the adjustment of acquired inventory to fair value for our acquisitions of Grass Valley, ProSoft, and Coast, as well as $4.1 million of acquisition related transaction costs. In 2013, we recognized $6.6 million of cost of sales related to the adjustment of acquired inventory to fair value for our acquisition of PPC Broadband. See Note 3 to the Consolidated Financial Statements, Acquisitions. In 2012, we recognized $18.8 million of costs related to the adjustment of acquired inventory to fair value and transaction costs for our acquisitions of PPC Broadband and Miranda Technologies.

The following table reconciles our GAAP results to our non-GAAP financial measures:

	Years ended December 31,				
	2016	2015	2014	2013	2012
		(In thousands)			
Net cash provided by operating activities	$314,794	$241,460	$200,887	$175,335	$143,507
Capital expenditures, net of proceeds from the disposal of tangible assets	(53,582)	(54,436)	(43,575)	(37,040)	(31,435)
Working capital settlement in connection with the sale of consumer electronics assets	—	—	—	—	32,333
Acquisition and divestiture transaction costs	—	—	—	—	4,928
Non-recurring tax payments made for gain on 2012 sale of Thermax and Raydex cable business	—	—	—	41,808	—
Non-recurring tax payments made in settlement of tax sharing agreement with Cooper Industries	—	—	—	30,000	—
Cash paid for severance and other costs for the integration of our acquisition of Grass Valley	—	—	37,720	—	—
Free cash flow	$261,212	$187,024	$195,032	$210,103	$149,333

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are an innovative signal transmission solutions company built around five global business platforms – Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound, and video for mission critical applications.

We strive to create shareholder value by:

- Delivering highly engineered signal transmission solutions for mission-critical applications in a diverse set of global markets;
- Maintaining a balanced product portfolio across end markets, applications, and geographies that allows for a disciplined approach to growth;
- Capturing additional market share by using our Market Delivery System to improve channel and end-user relationships and to concentrate sales efforts on customers in higher growth geographies and vertical end-markets;
- Managing our product portfolio to provide innovative and complete end-to-end solutions for our customers in applications for which we have operational expertise and can drive customer loyalty;
- Acquiring leading companies with innovative product portfolios and opportunities for synergies which fit within our strategic framework;
- Continuously improving our people, processes, and systems through scalable, flexible, and sustainable business systems for talent management, Lean enterprise, and acquisition cultivation and integration; and
- Protecting and enhancing the value of the Belden brands.

We believe our business system, balance across markets and geographies, systematic go-to-market approach, extensive portfolio of innovative solutions, commitment to Lean principles, and improving margin profile present a unique value proposition that increases shareholder value.

We consider Adjusted revenue growth on a constant currency basis, Adjusted EBITDA margin, free cash flows, and return on invested capital to be our key operating performance indicators. Our business goals are to:

- Grow Adjusted Revenues on a constant currency basis by 5-7% per year, from a combination of end market growth, market share capture, and contributions from acquisitions;
- Achieve Adjusted EBITDA margins in the range of 18-20%;
- Generate free cash flow in excess of Adjusted Net Income; and
- Realize return on invested capital of 13-15%.

Significant Trends and Events in 2016

The following trends and events during 2016 had varying effects on our financial condition, results of operations, and cash flows.

Foreign currency

Our exposure to currency rate fluctuations primarily relates to exchange rate movements between the U.S. dollar and the euro, Canadian dollar, Hong Kong dollar, Chinese yuan, Japanese yen, Mexican peso, Australian dollar, British pound, and Brazilian real. Generally, as the U.S. dollar strengthens against these foreign currencies, our revenues and earnings are negatively impacted as our foreign denominated revenues and earnings are translated into U.S. dollars at a lower rate. Conversely, as the U.S. dollar weakens against foreign currencies, our revenues and earnings are positively impacted.

In addition to the translation impact described above, currency rate fluctuations have an economic impact on our financial results. As the U.S. dollar strengthens or weakens against foreign currencies, it results in a relative price increase or decrease for certain of our products that are priced in U.S. dollars in a foreign location.

Commodity Prices

Our operating results can be affected by changes in prices of commodities, primarily copper and compounds, which are components in some of the products we sell. Generally, as the costs of inventory purchases increase due to higher commodity prices, we raise selling prices to customers to cover the increase in costs, resulting in higher sales revenue but a lower gross profit percentage. Conversely, a decrease in commodity prices would result in lower sales revenue but a higher gross profit percentage. Selling prices of our products are affected by many factors, including end market demand, capacity utilization, overall economic conditions, and commodity prices. Importantly, however, there is no exact measure of the effect of changing commodity prices, as there are thousands of transactions in any given quarter, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices or other commodity prices are estimates.

Channel Inventory

Our operating results also can be affected by the levels of Belden products purchased and held as inventory by our channel partners and customers. Our channel partners and customers purchase and hold our products in their inventory in order to meet the service and on-time delivery requirements of their customers. Generally, as our channel partners and customers change the level of Belden products owned and held in their inventory, it impacts our revenues. Comparisons of our results between periods can be impacted by changes in the levels of channel inventory. We are dependent upon our channel partners to provide us with information regarding the amount of our products that they own and hold in their inventory. As such, all references to the effect of channel inventory changes are estimates.

Market Growth and Market Share

The markets in which we operate can generally be characterized as highly competitive and highly fragmented, with many players. Based on available data for our served markets, we estimate that our market shares range from approximately 5% - 20%. A substantial acquisition in one of our served markets would be necessary to meaningfully change our estimated market share percentage. We monitor available data regarding market growth, including independent market research reports, publicly available indices, and the financial results of our direct and indirect peer companies, in order to estimate the extent to which our served markets grew or contracted during a particular period. We expect that our unit sales volume will increase or decrease consistently with the market growth rate. Our strategic goal is to utilize our Market Delivery System to target faster growing geographies, applications, and trends within our end markets, in order to achieve growth that is higher than the general market growth rate. To the extent that we exceed the market growth rates, we consider it to be the result of capturing market share.

Acquisitions

We completed the acquisitions of M2FX Limited (M2FX) on January 7, 2016; Tripwire Inc. (Tripwire) on January 2, 2015; Coast Wire & Plastic Tech., LLC (Coast) on November 20, 2014; ProSoft Technology, Inc. (ProSoft) on June 11, 2014; and Grass Valley USA, LLC and GVBB Holdings S.a.r.l. (collectively, Grass Valley), on March 31, 2014. The results of M2FX, Tripwire, Coast, ProSoft, and Grass Valley have been included in our Consolidated Financial Statements from their respective acquisition dates and are reported in the Broadcast, Network Security, Industrial Connectivity, Industrial IT, and Broadcast segments, respectively.

Assets Held for Sale

During the fourth quarter of 2016, we committed to a plan to sell our MCS business and Hirschmann JV and determined that we met all of the criteria to classify the assets and liabilities of these businesses as held for sale. We have reached an agreement in principle to sell this disposal group for a total sales price of $39 million. The carrying value of disposal group exceeded the fair value less costs to sell, which we determined based on the expected sales price, by $23.9 million. Therefore, we recognized an impairment charge equal to this amount in the fourth quarter of 2016. See Notes 4 and 28.

Long-Term Debt

In 2016, we repaid $50.0 million of the Revolver borrowings. As of December 31, 2016, we had no borrowings outstanding on the Revolver, and our available borrowing capacity was $276.4 million. In October 2016, we completed an offering for €200.0 million ($222.2 million at issuance) aggregate principal amount of 4.125% senior subordinated notes due 2026 (the 2026 Notes). We used the net proceeds from the transaction to pay off the variable rate Term Loan due 2020, for which we recognized a $2.3 million loss on debt extinguishment. See Note 14.

Preferred Stock Issuance

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On July 26, 2016, we issued 5.2 million depositary shares, each of which represents 1/100th interest in a share of 6.75% Series B Mandatory Convertible Preferred Stock (the Preferred Stock), for an offering price of $100 per depositary share. Unless earlier converted, each share of Preferred Stock will automatically convert into common stock on or around July 15, 2019 into between 120.46 and 132.50 shares of Belden common stock, subject to customary anti-dilution adjustments. This represents a range of 6.2 million to 6.9 million shares of Belden common stock to be issued upon conversion. The net proceeds from this offering were approximately $501 million. We intend to use the proceeds for general corporate purposes. See Note 20.

Productivity Improvement Programs

Industrial Restructuring Program: 2015-2016

Both our Industrial Connectivity and Industrial IT segments have been negatively impacted by a decline in sales volume. Global demand for industrial products has been negatively impacted by the strengthened U.S. dollar and lower energy prices. Our customers have reduced capital spending in response to these conditions, and we expect these conditions to continue to impact our industrial segments. In response to these industrial market conditions, we began to execute a restructuring program in the fourth fiscal quarter of 2015 to further reduce our cost structure. We recognized approximately $9.7 million and $3.3 million of severance and other restructuring costs for this program during 2016 and 2015, respectively. We do not expect to incur any additional severance and other restructuring costs for this program. We expect the restructuring program to generate approximately $18 million of savings on an annualized basis, which we began to realize in the first fiscal quarter of 2016.

Industrial Manufacturing Footprint Program: 2016

In further response to the industrial market conditions described above, in the first quarter of 2016 we began a program to further consolidate our manufacturing footprint. The manufacturing consolidation is expected to be completed by the end of 2017. We recognized $17.8 million of severance and other restructuring costs for this program during 2016. The costs were incurred by the Enterprise and Industrial Connectivity segments, as the manufacturing locations involved in the program serve both platforms. We expect to incur approximately $15 million of additional severance and other restructuring costs for this program in 2017. We expect the program to generate approximately $10 million of savings on an annualized basis, beginning in the second half of 2017.

Grass Valley Restructuring Program: 2015-2016

Our Broadcast segment’s Grass Valley brand was negatively impacted by a decline in global demand of broadcast technology infrastructure products beginning in 2015. Outside of the U.S., demand for these products was impacted by the relative price increase of products due to the strengthened U.S. dollar as well as the impact of weaker economic conditions which resulted in lower capital spending. Within the U.S., demand for these products was impacted by deferred capital spending. We believe broadcast customers have deferred their capital spending as they navigate through a number of important industry transitions and a changing media landscape. In response to these broadcast market conditions, we began to execute a restructuring program beginning in the third fiscal quarter of 2015 to further reduce our cost structure. We recognized approximately $8.7 million and $25.4 million of severance and other restructuring costs for this program during 2016 and 2015, respectively. We do not expect to incur any additional severance and other restructuring costs for this program. We expect the restructuring program to generate approximately $30 million of savings on an annualized basis, which we began to realize in the fourth fiscal quarter of 2015.

Productivity Improvement Program and Acquisition Integration: 2014-2016

In 2014, we began a productivity improvement program and the integration of our acquisition of Grass Valley. The productivity improvement program focused on improving the productivity of our sales, marketing, finance, and human resources functions relative to our peers. The majority of the costs for the productivity improvement program related to the Industrial Connectivity, Enterprise, and Industrial IT segments. We expected the productivity improvement program to reduce our operating expenses by approximately $18 million on an annualized basis, and we are substantially realizing such benefits. The restructuring and integration activities related to our acquisition of Grass Valley focused on achieving desired cost savings by consolidating existing and acquired operating facilities and other support functions. The Grass Valley costs related to our Broadcast segment. In 2014, we recorded $70.8 million of such costs. In 2015, we recorded severance, restructuring, and integration costs of $18.5 million related to these two significant programs, as well as other cost reduction actions and the integration of our acquisitions of ProSoft, Coast, and Tripwire. In 2016, we recognized $2.6 million of costs, primarily related to our 2016 acquisition of M2FX. We do not expect to incur any significant additional costs for this program.

Results of Operations

Consolidated Income from Continuing Operations before Taxes

	2016	2015	2014	Percentage Change 2016 vs. 2015	2015 vs. 2014
	(In thousands, except percentages)				
Revenues	$2,356,672	$2,309,222	$2,308,265	2.1 %	— %
Gross profit	980,994	918,173	819,449	6.8 %	12.0 %
Selling, general and administrative expenses	494,224	525,518	483,990	(6.0)%	8.6 %
Research and development	140,601	148,311	113,914	(5.2)%	30.2 %
Amortization of intangibles	98,385	103,791	58,426	(5.2)%	77.6 %
Impairment of assets held for sale	23,931	—	—	100.0 %	n/a
Operating income	223,853	140,553	163,119	59.3 %	(13.8)%
Interest expense, net	95,050	100,613	81,573	(5.5)%	23.3 %
Loss on debt extinguishment	2,342	—	—	100.0 %	n/a
Income from continuing operations before taxes	126,461	39,940	81,546	216.6 %	(51.0)%

2016 Compared to 2015

Revenues increased in 2016 from 2015 due to the following factors:

- Increases in sales volume resulted in an increase in revenues of $26.2 million. An increase in volume within our broadcast and enterprise markets was partially offset by soft demand for our industrial products. From a geographic perspective, volume growth was most notable in Asia and Europe.
- Purchase accounting effects of recording deferred revenue at fair value primarily for our Tripwire acquisition resulted in a revenue increase of $44.7 million in 2016 as compared to 2015.
- Royalty revenues from a patent settlement in 2016 resulted in a revenue increase of $10.3 million.
- Acquisitions resulted in a revenue increase of $6.6 million.
- Lower copper costs resulted in a revenue decrease of $22.7 million.
- Unfavorable currency translation, primarily due to the strengthening U.S. dollar compared to the euro and the Canadian dollar, resulted in a revenue decrease of $17.6 million.

Gross profit increased $62.8 million in 2016 from 2015, and gross profit margin increased 180 basis points from 39.8% in 2015 to 41.6% in 2016. The increases in gross profit margins is primarily attributable to the increases in revenues discussed above and improved productivity as a result of our restructuring actions. Gross profit for 2016 included $12.3 million of severance, restructuring, and acquisition integration costs; $1.0 million of cost of sales arising from the adjustment of inventory to fair value related to acquisitions; and $0.9 million of accelerated depreciation in our Enterprise segment. Gross profit for 2015 included $9.4 million of severance, restructuring, and acquisition integration costs and $0.3 million of cost of sales arising from the adjustment of inventory to fair value related to our acquisition of Coast.
Selling, general and administrative expenses decreased by $31.3 million from 2015 to 2016 primarily due to $9.2 million of compensation expense that we recognized in the prior year as a result of accelerating the vesting of certain acquiree equity awards at the closing of the Tripwire acquisition; a $3.2 million benefit in 2016 as a result of reducing the M2FX earn-out liability to zero; realized benefits from our productivity improvement initiatives; and a reduction in severance, restructuring, and integration costs from the prior year. In 2016 and 2015, selling, general and administrative expenses included $25.7 million and $31.7 million, respectively, of severance, restructuring, and integration costs, representing a $6.1 million decline over the prior year. Favorable currency translation contributed approximately $6.0 million to the decline in selling, general and administrative expenses in 2016.
Research and development decreased by $7.7 million in 2016 from 2015 primarily due to a decline of $5.3 million of severance, restructuring, and integration costs. Favorable currency translation and productivity improvement initiatives also contributed $1.8 million and $1.3 million to the decrease in research and development in 2016, respectively.

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Amortization of intangibles decreased $5.4 million in 2016 from 2015 primarily due to favorable currency translation and intangible assets becoming fully amortized during 2016. These decreases were partially offset by approximately $1.0 million from the acquisition of M2FX.
In 2016, we recognized a $23.9 million impairment of assets held for sale related to our MCS business and Hirschmann JV. The amount of the impairment of assets held for sale represents the excess carrying value over the fair value of the assets. See Note 4, Assets Held for Sale.
Operating income increased by $83.3 million from 2015 to 2016 primarily due to the increases in gross profit and decreases in selling, general and administrative expenses discussed above.
Interest expense decreased $5.6 million in 2016 from 2015 due to our recent financing activities. During Q4 2015 and Q1 2016, we repaid $150.0 million and $50.0 million, respectively, outstanding under our Revolver, and in Q4 2016, we issued €200.0 million ($222.2 million at issuance) 4.125% Senior Subordinated notes due 2026 and paid off our $250.0 million Term Loan. The net impact of these financing activities led to the decrease in interest expense for the year. We recognized a $2.3 million loss on debt extinguishment for the unamortized debt issuance costs associated with the Term Loan.
Income from continuing operations before taxes increased by $86.5 million from 2015 to 2016 primarily due to the increases in operating income discussed above.

2015 Compared to 2014

Revenues were approximately flat in 2015 compared to 2014 due to the following factors:

- Acquisitions contributed $203.8 million of revenues.
- Unfavorable currency translation, primarily due to the strengthened U.S. dollar compared to the euro and the Canadian dollar, resulted in a revenue decrease of $132.1 million.
- Lower copper costs resulted in a revenue decrease of $40.6 million.
- Decreases in unit sales volume resulted in a decrease in revenues of $30.1 million. Soft demand for our broadcast infrastructure and industrial products was partially offset by strong demand for our enterprise and broadband connectivity products. From a geographic perspective, weakness in China, Europe, and Latin America was partially offset by strength in the U.S. and Canada.

Gross profit for 2015 included $9.4 million of severance, restructuring, and acquisition integration costs and $0.3 million of cost of sales arising from the adjustment of inventory to fair value related to our acquisition of Coast. Gross profit for 2014 included $20.7 million of severance, restructuring, and integration costs, and $8.4 million of cost of sales arising from the adjustment of inventory to fair value related to our acquisitions of Grass Valley, ProSoft, and Coast.
Excluding these costs, gross profit for 2015 increased by $79.3 million from 2014, primarily due to acquisitions. Acquisitions contributed $136.3 million of gross profit in 2015. The gross profit from acquisitions was partially offset by the impact of the decline in sales volume and unfavorable product mix, particularly in the Broadcast segment. Additionally, unfavorable currency translation reduced gross profit by $47.3 million.

Selling, general and administrative expenses increased by $39.3 million in 2015 from 2014 primarily due to our acquisitions. Acquisitions contributed $90.2 million of selling, general and administrative expenses in 2015. We also recognized $9.2 million of compensation expense as a result of accelerating the vesting of certain acquiree equity awards at the closing of the Tripwire acquisition in 2015. These increases were partially offset by a decrease in severance, restructuring, and acquisition integration costs of $14.8 million. In addition, selling, general and administrative expenses decreased due to favorable currency translation of $25.7 million and improved productivity of $15.0 million.
Research and development expenses increased by $34.4 million in 2015 from 2014 primarily due to our acquisitions. Acquisitions contributed $42.7 million of research and development expenses in 2015. This increase was partially offset by favorable currency translation of $8.3 million. Research and development expenses also decreased due to

improved productivity as a result of completed restructuring actions.

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Amortization of intangibles increased in 2015 from 2014 primarily due to the definite-lived intangible assets recorded from our 2015 acquisition of Tripwire. The impact of acquisitions contributed $49.8 million of amortization of intangibles in 2015. The increase was partially offset by favorable currency translation.

Operating income decreased in 2015 from 2014 due to the increases in selling, general and administrative expenses, research and development expenses, and amortization of intangibles discussed above, partially offset by the increase in gross profit.

Interest expense increased in 2015 from 2014 due to our recent financing activities. We borrowed $200.0 million under our Revolver in January 2015, we issued €200.0 million 5.5% senior subordinated notes in November 2014, and we issued $200.0 million 5.25% senior subordinated notes in June 2014. While we repaid $150.0 million under our Revolver prior to December 31, 2015, the net impact of these financing activities led to the increase in interest expense for the year.

Income from continuing operations before taxes decreased in 2015 from 2014 due to the decrease in operating income and increase in interest expense discussed above.

Income Taxes

				Percentage Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
	(In thousands, except percentages)				
Income from continuing operations before taxes	$126,461	$39,940	$81,546	216.6 %	-51.0 %
Income tax expense (benefit)	(1,185)	(26,568)	7,114	-95.5 %	-473.5 %
Effective tax rate	-0.9 %	-66.5 %	8.7 %		

2016 Compared to 2015

We recognized an income tax benefit of $1.2 million in 2016, representing an effective tax rate of (0.9%) . The effective tax rate was impacted by the following significant factors:

- We recognized a net tax benefit of $13.3 million related to a foreign tax credit planning initiative that enabled us to recognize tax credits from a foreign jurisdiction.
- We also recognized a net tax benefit of $9.2 million as a result of reducing deferred tax valuation allowances related to net operating loss carryforwards in foreign jurisdictions.
- We also recognized a $7.0 million tax benefit in 2016 for the reduction of deferred tax liabilities related to a previously completed acquisition. We secured a Private Letter Ruling from the Internal Revenue Service that effectively increased the tax basis in the acquired assets to the full fair value. Accordingly, a book-tax difference was eliminated, and we reversed deferred tax liabilities previously recorded, resulting in the tax benefit.
- We also recognized a $4.7 million tax benefit in 2016 as the result of securing a significant tax deduction for a foreign currency loss by implementing several transactions related to our international tax structure.

The tax benefits described above for 2016 were partially offset by $3.0 million of tax expense to record a liability for uncertain tax positions in one of our foreign jurisdictions.

Our income tax expense was also impacted by foreign tax rate differences. The statutory tax rates associated with our foreign earnings generally are lower than the statutory U.S. tax rate of 35%. This had the greatest impact on our income from continuing operations before taxes that is generated in Germany, Canada, and the Netherlands, which have statutory tax rates of approximately 28%, 26%, and 25%, respectively. Foreign tax rate differences reduced our income tax expense by approximately $17.7 million and $3.4 million in 2016 and 2015, respectively.

Our income tax expense and effective tax rate in future periods may be impacted by many factors, including our geographic mix of income and changes in tax laws.

As of December 31, 2016, we maintained a valuation allowance on our deferred tax assets of $104.8 million. Of this amount, approximately $91.6 million relates to net operating loss deferred tax assets for certain of our Grass Valley entities. Certain Grass Valley entities have a history of significant tax losses in their various jurisdictions. We do not

currently have sufficient history of taxable income in the relevant jurisdictions to support the realizability of the net operating losses.

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The remaining $13.2 million of valuation allowance primarily relates to deferred tax assets for certain U.S. state net operating losses and tax credits. While we have positive evidence in the form of projected sources of income, we determined that these assets were not realizable as of December 31, 2016 due to a history of net operating losses and tax credits expiring without being utilized in certain states and because the current forecast of income is not sufficient to utilize all of these state net operating losses and tax credits prior to expiration.

2015 Compared to 2014

We recognized an income tax benefit of $26.6 million in 2015, representing an effective tax rate for 2015 of (66.5%). Our full year effective tax rate on full year pre-tax income is a negative rate (an income tax benefit) as a result of implemented tax planning strategies, described below.

In 2015, the most significant difference between the U.S. federal statutory tax rate and our effective tax rate was the impact of domestic permanent differences and tax credits. We recognized a total income tax benefit from domestic permanent differences and tax credits of $23.0 million in 2015. Approximately $18.0 million of that benefit stems from being able to recognize a significant balance of foreign tax credits related to one of our foreign jurisdictions as a result of implementing a tax planning strategy, net of the U.S. income tax consequences. We were also able to recognize other foreign tax credits and research and development tax credits in 2015, which represented the remaining $5.0 million of tax benefit from domestic permanent differences and tax credits.

An additional significant factor impacting the income tax benefit for 2015 was the reduction of a deferred tax valuation allowance related to certain net operating loss carryforwards in one of our foreign jurisdictions. Based on implemented tax planning strategies, the net operating loss carryforwards have become fully realizable, and we realized a net tax benefit of $11.4 million related to changes in the valuation allowance.

Our income tax benefit was also impacted by foreign tax rate differences. The statutory tax rates associated with our foreign earnings generally are lower than the statutory U.S. tax rate of 35%. This had the greatest impact on our income from continuing operations before taxes that is generated in Germany, Canada, and the Netherlands, which have statutory tax rates of approximately 28%, 26%, and 25%, respectively. Foreign tax rate differences reduced our income tax expense relative to the statutory U.S. tax rate by approximately $3.4 million and $14.4 million in 2015 and 2014, respectively.

As of December 31, 2015, we maintained a valuation allowance on our deferred tax assets of $117.1 million. Of this amount, approximately $104.7 million relates to net operating loss deferred tax assets for certain of our Grass Valley entities. Certain Grass Valley entities have a history of significant tax losses in their various jurisdictions. While our restructuring activities have begun to improve the taxable income generated by the Grass Valley entities, we do not currently have sufficient history of taxable income in the relevant jurisdictions to support the realizability of the net operating losses.

The remaining $12.4 million of valuation allowance primarily relates to deferred tax assets for certain U.S. state net operating losses and tax credits. While we have positive evidence in the form of projected sources of income, we determined that these assets were not realizable as of December 31, 2015 due to a history of net operating losses and tax credits expiring without being utilized in certain states and because the current forecast of income is not sufficient to utilize all of these state net operating losses and tax credits prior to expiration.

Consolidated Adjusted Revenues and Adjusted EBITDA

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
	(In thousands, except percentages)				
Adjusted Revenues	$2,357,805	$2,360,583	$2,320,219	-0.1 %	1.7 %
Adjusted EBITDA	431,201	400,688	359,425	7.6 %	11.5 %
as a percent of adjusted revenues	18.3 %	17.0 %	15.5 %		

2016 Compared to 2015

Adjusted Revenues decreased in 2016 from 2015 due to the following factors:

- Lower copper costs resulted in a revenue decrease of $22.7 million.

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- Unfavorable currency translation, primarily due to the strengthening U.S. dollar compared to the euro and the Canadian dollar, resulted in a revenue decrease of $17.6 million.
- Increases in unit sales volume resulted in an increase in revenues of $26.2 million. An increase in volume within our broadcast and enterprise markets was partially offset by soft demand for our industrial products. From a geographic perspective, volume growth was most notable in Asia and Europe.
- Acquisitions resulted in a revenue increase of $6.6 million.
- Royalty revenues from a patent settlement resulted in a revenue increase of $4.7 million.

Adjusted EBITDA increased $30.5 million in 2016 from 2015 primarily due to productivity initiatives, which contributed $28.3 million of Adjusted EBITDA. In addition, Adjusted EBITDA increased due to favorable currency translation and acquisitions, with an impact of $5.6 million and $1.0 million, respectively. These factors were partially offset by unfavorable product mix.

2015 Compared to 2014

Adjusted Revenues increased in 2015 from 2014 due to the following factors:

- Acquisitions contributed $256.6 million of revenues.
- Unfavorable currency translation, primarily due to the strengthening U.S. dollar compared to the euro and the Canadian dollar, resulted in a revenue decrease of $132.1 million.
- Decreases in unit sales volume resulted in a decrease in revenues of $43.5 million. Soft demand for our broadcast infrastructure and industrial products was partially offset by strong demand for our enterprise and broadband connectivity products. From a geographic perspective, weakness in China, Europe, and Latin America was partially offset by strength in the U.S. and Canada.
- Lower copper costs resulted in a revenue decrease of $40.6 million.

Adjusted EBITDA increased in 2015 from 2014 primarily due to acquisitions, which contributed $64.0 million of Adjusted EBITDA. In addition, Adjusted EBITDA increased due to improved productivity as a result of our recently completed restructuring activities. These factors were partially offset by the impact of the declines in unit sales volume discussed above, as well as unfavorable product mix. Further, unfavorable currency translation resulted in a decrease in Adjusted EBITDA of $16.1 million.

Use of Non-GAAP Financial Information

Adjusted Revenues, Adjusted EBITDA, Adjusted EBITDA margin, and free cash flow are non-GAAP financial measures. In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide non-GAAP operating results adjusted for certain items, including: asset impairments; accelerated depreciation expense due to plant consolidation activities; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value, and transaction costs; severance, restructuring, and acquisition integration costs; gains (losses) recognized on the disposal of businesses and tangible assets; amortization of intangible assets; gains (losses) on debt extinguishment; certain revenues and gains (losses) from patent settlements; discontinued operations; and other costs. We adjust for the items listed above in all periods presented, unless the impact is clearly immaterial to our financial statements. When we calculate the tax effect of the adjustments, we include all current and deferred income tax expense commensurate with the adjusted measure of pre-tax profitability.

We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis. As an example, we adjust for the purchase accounting effect of recording deferred revenue at fair value in order to reflect the revenues that would have otherwise been recorded by acquired businesses had they remained as independent entities. We believe this presentation is useful in evaluating the underlying performance of acquired companies. Similarly, we adjust for other acquisition-related expenses, such as amortization of intangibles and other impacts of fair value adjustments because they generally are

not related to the acquired business' core business performance. As an additional example, we exclude the costs of restructuring programs, which can occur from time to time for our current businesses and/or recently acquired businesses. We exclude the costs in calculating adjusted results to allow us and investors to evaluate the performance of the business based upon its expected ongoing operating structure. We believe the adjusted measures, accompanied by the disclosure of the costs of these programs, provides valuable insight.

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Adjusted results should be considered only in conjunction with results reported according to accounting principles generally accepted in the United States. See Item 6, Selected Financial Data, for the tables that reconcile our GAAP results to our non-GAAP financial measures.

Segment Results of Operations

For additional information regarding our segment measures, see Note 6 to the Consolidated Financial Statements.

Broadcast Solutions

	2016	2015	2014	Percentage Change 2016 vs. 2015	2015 vs. 2014
	(In thousands, except percentages)				
Segment Revenues	$769,753	$739,970	$757,767	4.0 %	-2.3 %
Segment EBITDA	137,870	113,638	116,966	21.3 %	-2.8 %
as a percent of segment revenues	17.9 %	15.4 %	15.4 %		

2016 Compared to 2015

Broadcast revenues increased by $29.8 million from 2015 to 2016. Increases in volume resulted in a $25.6 million increase in revenues. The increase in volume stems in part from the market's reaction for the segment's new and innovative IP solutions. Sales of our broadcast infrastructure products also benefited from a more stable U.S. dollar. The increase in volume was most notable outside of the United States. Broadcast revenues also included royalty revenues related to 2016 of $4.7 million as a result of a patent settlement in 2016. This segment will continue to earn royalty revenues in 2017 and beyond. The acquisition of M2FX also contributed $6.6 million to the increase in revenues. These factors were partially offset by unfavorable currency translation of $7.1 million.

Broadcast EBITDA increased $24.2 million from 2015 to 2016 primarily due to leverage on the increases in revenues discussed above, as well as improved productivity as a result of our restructuring actions and acquisition integration activities. Accordingly, Broadcast EBITDA margins expanded 250 basis points from 15.4% in 2015 to 17.9% in 2016.

2015 Compared to 2014

Broadcast revenues decreased by $17.8 million from 2014 to 2015. Unfavorable currency translation and decreases in unit sales volume resulted in decreases in revenues of $27.0 million and $44.1 million, respectively. The decrease in volume occurred outside of the U.S., primarily due to the relative price increase of our products from the strengthened U.S. dollar as well as the impact of weaker economic conditions, which have resulted in lower capital spending. The volume decrease outside of the U.S. primarily related to our broadcast technology infrastructure products. Sales volume increases within the U.S. partially offset the decline in sales volume outside of the U.S. Within the U.S., strong demand for our broadband connectivity products was partially offset by a decline in volume for our broadcast technology infrastructure products. Volume for broadcast technology infrastructure products was negatively impacted by deferred capital spending. We believe broadcast customers have deferred their capital spending as they navigate through a number of important industry transitions and a changing media landscape. These decreases in revenues were partially offset by $53.3 million of incremental revenues in 2015 from the acquisition of Grass Valley.

Broadcast EBITDA decreased in 2015 from 2014 primarily due to the decline in revenues discussed above, as well as unfavorable product mix. These factors were partially offset by improved productivity as a result of our recently completed restructuring and acquisition integration activities, primarily related to Grass Valley.

Enterprise Connectivity Solutions

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	2016	2015	2014	Percentage Change 2016 vs. 2015	2015 vs. 2014
	(In thousands, except percentages)				
Segment Revenues	$603,188	$605,910	$626,614	-0.4 %	-3.3 %
Segment EBITDA	101,298	100,214	89,352	1.1 %	12.2 %
as a percent of segment revenues	16.8 %	16.5 %	14.3 %		

2016 Compared to 2015

The decrease in Enterprise Connectivity revenues in 2016 from 2015 was primarily due to $9.9 million and $5.1 million impacts from lower copper costs and unfavorable currency translation, respectively. These decreases were partially offset by sales volume increases of $12.3 million. Sales volume growth was broad-based globally, and most notable in Canada.

Enterprise Connectivity EBITDA increased in 2016 from 2015 due to the leverage on higher sales volume discussed above, partially offset by unfavorable currency translation. Accordingly, EBITDA margins improved to 16.8% in 2016 from 16.5% in 2015.

2015 Compared to 2014

The decrease in Enterprise Connectivity revenues in 2015 from 2014 was primarily due to unfavorable currency translation of $32.6 million and lower copper costs of $19.4 million. Increases in unit sales volume resulted in an increase in revenues of $31.3 million. The increase in unit sales volume was most notable in the U.S., where sales volume benefited from improved non-residential construction spending.

Enterprise Connectivity EBITDA increased in 2015 from 2014 due to the increases in units sales volume discussed above, improved product mix as a result of increased focus on the sale of end-to-end solutions, and improved productivity. Accordingly, EBITDA margins improved from 14.3% in 2014 to 16.5% in 2015.

Industrial Connectivity Solutions

	2016	2015	2014	Percentage Change 2016 vs. 2015	2015 vs. 2014
	(In thousands, except percentages)				
Segment Revenues	$585,476	$603,350	$682,374	-3.0 %	-11.6 %
Segment EBITDA	101,248	99,941	106,097	1.3 %	-5.8 %
as a percent of segment revenues	17.3 %	16.6 %	15.5 %		

2016 Compared to 2015

The decrease in Industrial Connectivity revenues in 2016 from 2015 was primarily due to lower copper costs, unfavorable currency translation, and volume decreases of $12.6 million, $4.9 million, and $0.4 million, respectively. The sales volume declines stemmed from the impact of lower energy prices, which resulted in lower capital spending for industrial projects. Sales volume was most notably down in North America and Latin America, with some offsets in Europe with discrete manufacturers.

Industrial Connectivity EBITDA increased in 2016 as compared to 2015 primarily due to productivity improvements resulting from our restructuring actions. Accordingly, EBITDA margins improved from 16.6% in 2015 to 17.3% in 2016.

2015 Compared to 2014

The decrease in Industrial Connectivity revenues in 2015 from 2014 was primarily due to unfavorable currency translation of $43.6 million and lower copper costs of $21.3 million. Decreases in unit sales volume resulted in a

revenue decrease of $27.8 million. Sales volume declines resulted primarily from the impact of lower energy prices, which result in lower capital spending for industrial projects, and the unfavorable impact of a strengthened U.S. dollar. The acquisition of Coast in November 2014 contributed $13.7 million in incremental revenues for 2015.
Industrial Connectivity EBITDA decreased in 2015 from 2014 by $6.2 million. EBITDA was negatively impacted by unfavorable currency translation of $4.8 million. The decreases in revenues discussed above also contributed to the decreases in EBITDA. The

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decreases in EBITDA were partially offset by the acquisition of Coast, which contributed EBITDA of $5.3 million, favorable product mix, and improved productivity due to our recently completed restructuring activities. Despite the decrease in revenues, EBITDA margins expanded from 15.5% in 2014 to 16.6% in 2015 due to improved product mix and lower input costs.

Industrial IT Solutions

	2016	2015	2014	Percentage Change 2016 vs. 2015	Percentage Change 2015 vs. 2014
	(In thousands, except percentages)				
Segment Revenues	$235,441	$244,303	$253,464	-3.6 %	-3.6 %
Segment EBITDA	45,067	43,253	47,927	4.2 %	-9.8 %
as a percent of segment revenues	19.1 %	17.7 %	18.9 %		

2016 Compared to 2015

Industrial IT revenues decreased in 2016 from 2015, primarily due to a decrease in unit sales volume of $7.9 million. The decline in sales volume was driven by weakness in global oil and gas markets. Unfavorable currency translation resulted in a decrease in revenues of $1.0 million. Despite the decrease in revenues for the year, Industrial IT EBITDA increased by $1.8 million as compared to 2015, due to improved productivity as a result of restructuring actions, as well as favorable product mix. Accordingly, Industrial IT EBITDA margins expanded 140 basis points from 17.7% in 2015 to 19.1% in 2016.

2015 Compared to 2014

Industrial IT revenues decreased in 2015 from 2014, primarily due to unfavorable currency translation of $28.9 million. In addition, decreases in unit sales volume resulted in a decrease in revenues of $2.9 million. Sales volume decreases in 2015 were most notable within the United States and Canada. The acquisition of ProSoft in June 2014 contributed $22.6 million in incremental revenues for 2015.

Industrial IT EBITDA decreased in 2015 from 2014 by $4.7 million. EBITDA was negatively impacted by unfavorable currency translation of $11.8 million. This decrease was partially offset by the acquisition of ProSoft, which contributed $4.8 million of EBITDA in 2015, and improved productivity as a result of our recently completed restructuring activities.

Network Security Solutions

	2016	2015	2014	Percentage Change 2016 vs 2015	Percentage Change 2015 vs. 2014
	(In thousands, except percentages)				
Segment Revenues	$163,947	$167,050	$ —	-1.9 %	n/a
Segment EBITDA	47,706	44,620	—	6.9 %	n/a
as a percent of segment revenues	29.1 %	26.7 %	n/a		

2016 Compared to 2015

Network Security revenues decreased in 2016 from 2015, primarily due to a decline in sales volume of $3.6 million. This decrease was partially offset by $0.4 million of favorable currency translation. Sales volume was negatively impacted by commercial staffing shortages.

Network Security EBITDA increased $3.1 million in 2016 as compared to 2015, primarily due to improved productivity and favorable product mix. EBITDA margins expanded to 29.1% in 2016, up 240 basis points from 2015.

Discontinued Operations

In 2012, we sold our Thermax and Raydex cable business for $265.6 million in cash and recognized a pre-tax gain of $211.6 million ($124.7 million net of tax). At the time the transaction closed, we received $265.6 million in cash, subject to a working

capital adjustment. In 2014, we recognized a $0.9 million ($0.6 million net of tax) loss from disposal of discontinued operations related to this business as a result of settling the working capital adjustment and other matters.
In 2010, we completed the sale of Trapeze Networks, Inc. (Trapeze) for $152.1 million and recognized a pre-tax gain of $88.3 million ($44.8 million after-tax). At the time the transaction closed, a portion of the sale price was placed in escrow as partial security for our indemnity obligations under the sale agreement. During 2015, we agreed to a final settlement with the buyer of Trapeze regarding the escrow, and collected $3.5 million of the escrow receivable and recognized a $0.2 million ($0.1 million net of tax) loss from disposal of discontinued operations. Additionally, we recognized a $0.2 million net loss from discontinued operations for income tax expense related to this disposed business in 2015. In 2014, we recognized $0.6 million of income from discontinued operations due to the reversal of an uncertain tax position liability related to this disposed business.
Liquidity and Capital Resources
Significant factors affecting our cash liquidity include (1) cash provided by operating activities, (2) disposals of businesses and tangible assets, (3) cash used for acquisitions, restructuring actions, capital expenditures, share repurchases, dividends, and senior subordinated note repurchases, (4) our available credit facilities and other borrowing arrangements, and (5) cash proceeds from equity offerings. We expect our operating activities to generate cash in 2017 and believe our sources of liquidity are sufficient to fund current working capital requirements, capital expenditures, contributions to our retirement plans, share repurchases, senior subordinated note repurchases, quarterly dividend payments, and our short-term operating strategies. However, we may require external financing were we to complete a significant acquisition. Our ability to continue to fund our future needs from business operations could be affected by many factors, including, but not limited to: economic conditions worldwide, customer demand, competitive market forces, customer acceptance of our product mix, and commodities pricing.
The following table is derived from our Consolidated Cash Flow Statements:

	Years Ended December 31,	
	2016	2015
	(In thousands)	
Net cash provided by (used for):		
Operating activities	$ 314,794	$ 241,460
Investing activities	(73,257)	(746,254)
Financing activities	401,704	(11,069)
Effects of currency exchange rate changes on cash and cash equivalents	(11,876)	(8,548)
Increase (decrease) in cash and cash equivalents	631,365	(524,411)
Cash and cash equivalents, beginning of year	216,751	741,162
Cash and cash equivalents, end of year	$ 848,116	$ 216,751

Net cash provided by operating activities totaled $314.8 million for 2016 compared to $241.5 million for 2015. The most significant factor impacting the increase in cash provided by operating activities was the increase in net income, which increased from $66.2 million in 2015 to $127.6 million in 2016. Furthermore, when adjusting for the

impairment of assets held for sale, the source of cash from operating activities in 2016 increased by $23.9 million. These increases were partially offset by the change in operating assets and liabilities year over year. In 2016, changes in operating assets and liabilities were a source of cash of $27.1 million, compared to $52.9 million in 2015. The fluctuation stemmed primarily from an improvement in accrued liabilities in 2015 as a result of the increase in deferred revenue for our acquired Network Security segment.

Net cash used for investing activities totaled $73.3 million for 2016 compared to $746.3 million for 2015. Investing activities for 2016 included capital expenditures of $54.0 million and payments for acquisitions, net of cash acquired, of $18.8 million. Investing activities for 2015 included payments for acquisitions, net of cash acquired, of $695.3 million and capital expenditures of $55.0 million.

Net cash flows from financing activities was a $401.7 million source of cash for 2016, compared to an $11.1 million use of cash for 2015. Financing activities for 2016 included net proceeds from the issuance of preferred stock of $501.5 million, borrowings of $222.1 million to pay off the term loan, repayments of borrowings of $294.4 million, cash dividends payments of $16.1 million, net payments related to share-based compensation activities of $7.5 million, and debt issuance cost payments of $3.9 million. Financing activities for 2015 included borrowings of $200.0 million to partially fund the acquisition of Tripwire, repayments of

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borrowings of $152.5 million, payments under our share repurchase program of $39.1 million, cash dividend payments of $8.4 million, and net payments related to share-based compensation activities of $11.7 million.
Our cash and cash equivalents balance was $848.1 million as of December 31, 2016. Of this amount, $249.4 million was held outside of the U.S. in our foreign operations. Substantially all of the foreign cash and cash equivalents are readily convertible into U.S. dollars or other foreign currencies. Our strategic plan does not require the repatriation of foreign cash in order to fund our operations in the U.S., and it is our current intention to permanently reinvest the foreign cash and cash equivalents outside of the U.S. If we were to repatriate the foreign cash to the U.S., we may be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations as a result of the repatriation.
Our outstanding debt obligations as of December 31, 2016 consisted of $1.6 billion of senior subordinated notes. Additional discussion regarding our various borrowing arrangements is included in Note 13 to the Consolidated Financial Statements.

Contractual obligations outstanding at December 31, 2016, have the following scheduled maturities:

	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
	(In thousands)				
Long-term debt payment obligations [1][2]	$1,620,161	$—	$5,221	$—	$1,614,940
Interest payments on long-term debt obligations	621,272	89,104	178,207	177,241	176,720
Operating lease obligations [3]	112,528	26,439	35,897	21,393	28,799
Purchase obligations [4]	11,473	11,308	165	—	—
Other commitments [5]	10,474	2,908	5,993	1,573	—
Pension and other postemployment obligations	60,635	6,130	12,747	11,941	29,817
Total	$2,436,543	$135,889	$238,230	$212,148	$1,850,276

(1) As described in Note 14 to the Consolidated Financial Statements.
(2) Amounts do not include accrued and unpaid interest. Accrued and unpaid interest related to long-term debt obligations is reflected on a separate line in the table.
(3) As described in Note 23 to the Consolidated Financial Statements.
(4) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.
(5) Does not include accounts payable reflected in the financial statements. Includes obligations for uncertain tax positions (see Note 16 to the Consolidated Financial Statements).

Our commercial commitments expire or mature as follows:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(In thousands)				
Standby financial letters of credit	$7,785	$6,598	$1,187	$ —	$ —
Bank guarantees	1,674	1,674	—	—	—
Surety bonds	2,436	2,436	—	—	—
Total	$11,895	$10,708	$1,187	$ —	$ —

Standby financial letters of credit, bank guarantees, and surety bonds are generally issued to secure obligations we have for a variety of commercial reasons such as workers compensation self-insurance programs in several states and the importation and exportation of product. We expect to replace most of these when they expire or mature.

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Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations, or cash flows that are or would be considered material to investors.

Current-Year Adoption of Recent Accounting Pronouncements

Discussion regarding our adoption of accounting pronouncements is included in Note 2 to the Consolidated Financial Statements.

Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the U.S. (GAAP). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures. We base our assumptions, estimates, and judgments on historical experience, current trends, and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates, and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 of our Consolidated Financial Statements. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective, or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer’s purchase order or sales agreement.

At the time of sale, we establish an estimated reserve for trade, promotion, and other special price reductions such as contract pricing, discounts to meet competitor pricing, and on-time payment discounts. We also reserve for, among other things, correction of billing errors, incorrect shipments, and settlement of customer disputes. Customers are allowed to return inventory if and when certain conditions regarding the functionality of the inventory and our approval of the return are met. Certain distribution customers are allowed to return inventory at original cost, in an amount not to exceed three percent of the prior year’s purchases, in exchange for an order of equal or greater value. Until we can process these reductions, corrections, and returns (together, the Changes) through individual customer records, we estimate the amount of outstanding Changes and recognize them by reducing revenues and accounts receivable. We determine our estimate based on our historical Changes as a percentage of revenues and the average time period between the original sale and the issuance of the Changes. We also adjust inventory and cost of sales for the estimated level of returns.

We base these estimates on historical and anticipated sales demand, trends in product pricing, and historical and anticipated Changes patterns. We make revisions to these estimates in the period in which the facts that give rise to each revision become known. Future market conditions and product transitions might require us to take actions to further reduce prices and increase customer return authorizations. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to measure the Changes. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material. A 10% change in our sales reserve for such Changes as of December 31, 2016 would have affected net income by less than $1 million in 2016.

At times, we enter into arrangements that involve the delivery of multiple elements. For these arrangements, when the elements can be separated, the revenue is allocated to each deliverable based on that element’s relative selling price and recognized based on the period of delivery for each element. Generally, we determine relative selling price using vendor-specific objective evidence (VSOE).

We have certain products subject to the accounting guidance on software revenue recognition. For such products, software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable, collection is probable and VSOE of the fair value of undelivered elements exists. As substantially all of the

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software licenses are sold in multiple-element arrangements that include either support and maintenance or both support and maintenance and professional services, we use the residual method to determine the amount of software license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as software license revenue. We have established VSOE of the fair value of support and maintenance, subscription-based software licenses, and professional services. Software license revenue is generally recognized upon delivery of the software if all revenue recognition criteria are met.

Revenue allocated to support services under our support and maintenance contracts is typically paid in advance and recognized ratably over the term of the service. Revenue allocated to subscription-based software and remote ongoing operational services is also paid in advance and recognized ratably over the term of the service. Revenue allocated to professional services, including remote implementation services, is recognized as the services are performed.

Income Taxes

We recognize deferred tax assets resulting from tax credit carryforwards, net operating loss carryforwards, and deductible temporary differences between taxable income on our income tax returns and income before taxes under GAAP. Deferred tax assets generally represent future tax benefits to be received when these carryforwards can be applied against future taxable income or when expenses previously reported in our Consolidated Financial Statements become deductible for income tax purposes. A deferred tax asset valuation allowance is required when some portion or all of the deferred tax assets may not be realized. We are required to estimate taxable income in future years or develop tax strategies that would enable tax asset realization in each taxing jurisdiction and use judgment to determine whether to record a deferred tax asset valuation allowance for part or all of a deferred tax asset.

We consider the weight of all available evidence, both positive and negative, in assessing the realizability of the deferred tax assets associated with net operating losses. We consider the reversals of existing taxable temporary differences as well as projections of future taxable income. We consider the future reversals of existing taxable temporary differences to the extent they were of the same character as the temporary differences giving rise to the deferred tax assets. We also consider whether the future reversals of existing taxable temporary differences will occur in the same period and jurisdiction as the temporary differences giving rise to the deferred tax assets. The assumptions utilized to estimate our future taxable income are consistent with those assumptions utilized for purposes of testing goodwill for impairment, as well as with our budgeting and strategic planning processes.

We have significant tax credit carryforwards in the U.S. on which we have not recorded a valuation allowance. The utilization of these credits is dependent upon the recognition of both U.S. taxable income as well as income characterized as foreign source under the U.S. tax laws. We expect to generate enough taxable income in the future to utilize these tax credits. Furthermore, in 2017 we expect to continue implementation of tax planning strategies that will help generate additional foreign source income in the carryforward period. In addition, we have significant research and development related tax credit carryforwards in Canada on which we have not recorded a valuation allowance. The utilization of these credits is dependent upon the recognition of Canadian taxable income, and we expect to generate enough taxable income in the future to utilize these tax credits.

Significant judgment is required in evaluating our uncertain tax positions. We establish accruals for uncertain tax positions when we believe that the full amount of the associated tax benefit may not be realized. In the future, if we prevail in matters for which accruals have been established previously or pay amounts in excess of reserves, there could be a material effect on our income tax provisions in the period in which such determination is made. In addition, our foreign subsidiaries' undistributed income is considered to be indefinitely reinvested and, accordingly, we do not record a provision for U.S. federal and state income taxes on this foreign income. If this income was not considered to be indefinitely reinvested, it would be subject to U.S. federal and state income taxes and could materially affect our income tax provision.

Goodwill and Indefinite-Lived Intangible Assets

We test our goodwill and other indefinite-lived intangible assets not subject to amortization for impairment on an annual basis during the fourth quarter or when indicators of impairment exist. We base our estimates on assumptions we believe to be reasonable, but which are not predictable with precision and therefore are inherently uncertain. Actual future results could differ from these estimates.

We test goodwill annually for impairment at the reporting unit level. A reporting unit is an operating segment, or a business unit one level below an operating segment if discrete financial information for that business is prepared and regularly reviewed by segment management. However, components within an operating segment are aggregated as a single reporting unit if they have similar economic characteristics. We determined that each of our reportable segments (Broadcast, Enterprise, Industrial Connectivity, Industrial IT, and Network Security) represents an operating segment. Within those operating segments, we have identified reporting units based on whether there is discrete financial information prepared that is regularly reviewed by segment

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management. As a result of this evaluation, we have identified two reporting units within Broadcast, two reporting units within Enterprise, four reporting units within Industrial Connectivity, three reporting units within Industrial IT, and one reporting unit within Network Security for purposes of goodwill impairment testing.

The accounting guidance related to goodwill impairment testing allows for the performance of an optional qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Such an evaluation is made based on the weight of all available evidence and the significance of all identified events and circumstances that may influence the fair value of a reporting unit. If it is more likely than not that the fair value is less than the carrying value, then a quantitative assessment is required for the reporting unit, as described in the paragraph below. In 2016, we performed a qualitative assessment for seven of our reporting units, which collectively represented approximately $811 million of our consolidated goodwill balance. For those reporting units for which we performed a qualitative assessment, we determined that it was more likely than not that the fair value was greater than the carrying value, and therefore, we did not perform the calculation of fair value for these reporting units as described in the paragraph below.

When we evaluate goodwill for impairment using a quantitative assessment, we compare the fair value of each reporting unit to its carrying value. We determine the fair value using an income approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows using growth rates and discount rates that are consistent with current market conditions in our industry. If the fair value of the reporting unit exceeds the carrying value of the net assets including goodwill assigned to that unit, goodwill is not impaired. If the carrying value of the reporting unit's net assets including goodwill exceeds the fair value of the reporting unit, then we determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment of goodwill has occurred and we recognize an impairment loss for the difference between the carrying amount and the implied fair value of goodwill as a component of operating income. In addition to the income approach, we calculate the fair value of our reporting units under a market approach. The market approach measures the fair value of a reporting unit through analysis of financial multiples of comparable businesses. Consideration is given to the financial conditions and operating performance of the reporting unit being valued relative to those publicly-traded companies operating in the same or similar lines of business.

We determined that none of our goodwill was impaired during 2016. The fair values of our five reporting units tested under a quantitative approach were substantially in excess of the carrying values as of our most recent impairment testing date. The assumptions used to estimate fair values were based on the past performance of the reporting unit as well as the projections incorporated in our strategic plan. Significant assumptions included sales growth, profitability, and related cash flows, along with cash flows associated with taxes and capital spending. The discount rate used to estimate fair value was risk adjusted in consideration of the economic conditions in effect at the time of the impairment test. We also considered assumptions that market participants may use. In our quantitative assessments, the discount rates ranged from 9.4% to 11.0% and the long-term growth rate was 3% for all five reporting units. By their nature, these assumptions involve risks and uncertainties, with the primary factor that could have an adverse effect being our assumptions relating to growing revenues consistent with our strategic plan.

We test our indefinite-lived intangible assets, which consist primarily of trademarks, for impairment on an annual basis during the fourth quarter. The accounting guidance related to impairment testing for such intangible assets allows for the performance of an optional qualitative assessment, similar to that described above for goodwill. We did not perform any qualitative assessments as part of our indefinite-lived intangible asset impairment testing for 2016. Rather, we performed a quantitative assessment for each of our trademarks in 2016. Under the quantitative assessments, we determined the fair value of each trademark using a relief from royalty methodology and compared the fair value to the carrying value. We determined that none of our trademarks were impaired during 2016. Significant assumptions to determine fair value included sales growth, royalty rates, and discount rates.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we used to test for impairment losses on goodwill and other intangible assets. However, if actual results are significantly different from our estimates or assumptions, we may have to recognize an impairment charge that could be material.

Definite-lived Intangible Assets

The carrying value of our definite-lived intangible assets as of December 31, 2016 was $436.4 million. Customer relationships and developed technology are the most significant definite-lived intangible assets recorded, with carrying values of $231.2 million and $181.7 million, respectively, and weighted average amortization periods of 18.9 years and 5.3 years, respectively, as of December 31, 2016. We also have recorded definite-lived intangible assets for certain trademarks, certain in-service research and development projects, and backlog. The assignment of useful lives and the determination of the method of amortization for our definite-lived intangible assets require significant judgments and the use of estimates.

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We record amortization of the definite-lived intangible assets over their estimated useful lives. If an intangible asset has a finite useful life, but the precise length of that life is not known, the asset is amortized over the best estimate of its useful life. We estimate the useful life based on all relevant information available to us regarding the assets, including information utilized to determine the value of the definite-lived intangible asset. For example, for our customer relationships, we consider historical and projected sales data and related customer attrition rates in order to estimate a useful life. For our developed technology, we give consideration to the product life cycle in order to estimate a useful life.

We determine the amortization method for our definite-lived intangible assets based on the pattern in which the economic benefits of the intangible asset are consumed. In the event we cannot reliably determine that pattern, we utilize a straight-line amortization method. In order to determine the amortization method, we evaluate all relevant information available to us regarding the assets, including information utilized to determine the value of the definite-lived intangible asset. For example, for customer relationships, we consider historical and projected sales data, customer attrition rates, and our historical experience with key customers of past acquisitions to determine if a pattern of consumption can be derived. If the data examined does not provide a reliably determinable pattern of consumption, then we utilize a straight-line amortization method.

The determinations of useful lives and amortization methods require a significant use of judgment by management. We believe the useful lives assigned and the amortization methods applied are reasonable based on the data available to us. For our existing and prior definite-lived intangible assets, we have not experienced significant differences between our estimates and actual results. We do not believe there is a reasonable likelihood that there will be a material change in the future of the estimates or assumptions we used to develop the useful lives and amortization methods. However, if actual results are significantly different from our estimates or assumptions, we may have to recognize an impairment charge, shorten the useful life assigned to one or more of our definite-lived intangible assets, or change the amortization method assigned to one or more of our definite-lived intangible assets, which could have a material impact on our results. This could occur, for example, if we were to experience significant customer losses or attrition in excess of our estimates or if our product lives were significantly shortened due to technological developments or obsolescence.

As a sensitivity measure, the effect of a 10% change in the estimated useful life of our definite-lived intangible assets for customer relationships and developed technology would have resulted in a change in 2016 amortization expense of approximately $2.0 million and $9.3 million, respectively.

In addition, the testing of definite-lived assets for impairment also requires significant use of judgment and assumptions, particularly as it relates to the identification of asset groups and the determination of fair market value. We test our definite-lived intangible assets for impairment when indicators of impairment exist. For purposes of impairment testing of long-lived assets, we have identified asset groups at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Generally, our asset groups are based on an individual plant or operating facility level. In some circumstances, however, a combination of plants or operating facilities may be considered the asset group due to interdependence of operational activities and cash flows.

Pension and Other Postretirement Benefits

Our pension and other postretirement benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, salary growth, long-term return on plan assets, health care cost trend rates, mortality tables, and other factors. We base the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. The salary growth assumptions reflect our long-term actual experience and future or near-term outlook. Long-term return on plan assets is determined based on historical portfolio results and management's expectation of the future economic environment. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. Our key assumptions are described in further detail in Note 17 to the Consolidated Financial Statements. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the projected benefit obligation or the fair market value of plan assets, amortized over the estimated future working life of the plan participants.

As a sensitivity measure, the effect of a 50 basis point decline in the assumed discount rate would have resulted in an increase in 2016 net periodic benefit cost and projected benefit obligations as of December 31, 2016 of approximately $0.4 million and $17.7 million, respectively. A 50 basis point decline in the expected return on plan assets would have resulted in an increase in 2016 net periodic benefit cost of approximately $1.0 million.
Conversely, the effect of a 50 basis point rise in the assumed discount rate would have resulted in a decrease in 2016 net periodic benefit cost and projected benefit obligations as of December 31, 2016 of approximately $1.0 million and $15.9 million, respectively.

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A 50 basis point rise in the expected return on plan assets would have resulted in a decrease in 2016 net periodic benefit cost of approximately $1.1 million.

Business Combination Accounting

We allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded to goodwill. We use all available information to estimate fair values. We typically engage third party valuation specialists to assist in the fair value determination of inventories, tangible long-lived assets, and intangible assets other than goodwill. The carrying values of acquired receivables and accounts payable have historically approximated their fair values as of the business combination date. As necessary, we may engage third party specialists to assist in the estimation of fair value for certain liabilities. We adjust the preliminary purchase price allocation, as necessary, typically up to one year after the acquisition closing date as we obtain more information regarding asset valuations and liabilities assumed.

Our purchase price allocation methodology contains uncertainties because it requires management to make assumptions and to apply judgment to estimate the fair value of acquired assets and liabilities. Management estimates the fair value of assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Unanticipated events or circumstances may occur which could affect the accuracy of our fair value estimates, including assumptions regarding industry economic factors and business strategies.

If actual results are materially different than the assumptions we used to determine fair value of the assets and liabilities acquired through a business combination, it is possible that adjustments to the carrying values of such assets and liabilities will have an impact on our net earnings.

See Note 3 to the Consolidated Financial Statements for the acquisition-related information associated with significant acquisitions completed in the last three fiscal years.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risks relating to our operations result primarily from currency exchange rates, certain commodity prices, interest rates, and credit extended to customers. Each of these risks is discussed below.

Currency Exchange Rate Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances of foreign subsidiaries and transactions denominated in currencies other than a location’s functional currency.

Our investments in certain foreign subsidiaries are recorded in currencies other than the U.S. dollar. As these foreign currency denominated investments are translated at the end of each period during consolidation using period-end exchange rates, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. These fluctuations and the results of operations for foreign subsidiaries, where the functional currency is not the U.S. dollar, are translated into U.S. dollars using the average exchange rates during the year, while the assets and liabilities are translated using period end exchange rates. The assets and liabilities-related translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss) in our Consolidated Balance Sheets. We generally view our investments in international subsidiaries with functional currencies other than the U.S. dollar as long-term. As a result, we do not generally use derivatives to manage these net investments. However, we designated euro debt issued in 2016 by Belden Inc., a USD functional currency ledger, as a net investment hedge of certain international subsidiaries. See Note 15 for further discussion.

Transactions denominated in currencies other than a location’s functional currency may produce receivables or payables that are fixed in terms of the amount of foreign currency that will be received or paid. A change in exchange rates between the functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. That increase or decrease in expected functional currency cash flows is a foreign exchange transaction gain or loss that is included in our operating income in the Consolidated Statements of Operations. In 2016, we recorded approximately $1.4 million of net foreign

currency transaction gains.

Generally, the currency in which we sell our products is the same as the currency in which we incur the costs to manufacture our products, resulting in a natural hedge. Our currency exchange rate management strategy primarily involves the use of natural techniques, where possible, such as the offsetting or netting of like-currency cash flows. However, we re-evaluate our strategy as

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the foreign currency environment changes, and it is possible that we could utilize derivative financial instruments to manage this risk in the future. We did not have any foreign currency derivatives outstanding as of December 31, 2016. Our exposure to currency rate fluctuations primarily relates to exchange rate movements between the U.S. dollar and the euro, Canadian dollar, Hong Kong dollar, Chinese yuan, Japanese yen, Mexican peso, Australian dollar, British pound, and Brazilian real.

Commodity Price Risk

Certain raw materials used by us are subject to price volatility caused by supply conditions, political and economic variables, and other unpredictable factors. The primary purpose of our commodity price management activities is to manage the volatility associated with purchases of commodities in the normal course of business. We do not speculate on commodity prices.

We are exposed to price risk related to our purchase of copper used in our products, although we are generally able to raise selling prices to customers to cover the increase in copper costs. Our copper price management strategy involves the use of natural techniques, where possible, such as purchasing copper for future delivery at fixed prices. We do not generally use commodity price derivatives and did not have any outstanding at December 31, 2016 or 2015.

The following table presents unconditional commodity purchase obligations outstanding as of December 31, 2016. The unconditional purchase obligations will settle during 2017 and early 2018.

	Purchase Amount	Fair Value
	(In thousands, except average price)	
Unconditional copper purchase obligations:		
Commitment volume in pounds	1,601	
Weighted average price per pound	$ 2.44	
Commitment amounts	$ 3,906	$ 3,970
Unconditional aluminum purchase obligations:		
Commitment volume in pounds	500	
Weighted average price per pound	$ 0.88	
Commitment amounts	$ 439	$ 428
Total unconditional purchase obligations	$ 4,345	$ 4,398

We are also exposed to price risk related to our purchase of selected commodities derived from petrochemical feedstocks used in our products. We generally purchase these commodities based upon market prices established with the vendors as part of the purchase process. Pricing of these commodities is volatile as they tend to fluctuate with the price of oil. Historically, we have not used commodity financial instruments to hedge prices for commodities derived from petrochemical feedstocks.

Interest Rate Risk

We have occasionally managed our debt portfolio by using interest rate derivative instruments, such as swap agreements, to achieve an overall desired position of fixed and floating rates. We were not a party to any interest rate derivative instruments as of or for the years ended December 31, 2016 or 2015.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. The table presents principal amounts by expected maturity dates and fair values as of December 31, 2016.

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	Principal Amount by Expected Maturity			Fair Value
	2017	Thereafter	Total	
	(In thousands, except interest rates)			
Fixed-rate senior subordinated notes due 2022	$—	$700,000	$700,000	$721,000
Average interest rate		5.50 %		
Fixed-rate senior subordinated notes due 2023	$—	$529,146	$529,146	$556,843
Average interest rate		5.50 %		
Fixed-rate senior subordinated notes due 2026	$—	$209,081	$209,081	$209,143
Average interest rate		4.125 %		
Fixed-rate senior subordinated notes due 2024	$—	$200,000	$200,000	$201,000
Average interest rate		5.25 %		
Fixed-rate senior subordinated notes due 2019	$—	$5,221	$5,221	$5,221
Average interest rate		9.25 %		
Total			$1,643,448	$1,693,207

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and cash equivalents and accounts receivable. We are exposed to credit losses in the event of nonperformance by counterparties to these financial instruments. We place cash and cash equivalents with various high-quality financial institutions throughout the world, and exposure is limited at any one financial institution. Although we do not obtain collateral or other security to support these financial instruments, we evaluate the credit standing of the counterparty financial institutions. As of December 31, 2016, we had $26.5 million in accounts receivable outstanding from Anixter International Inc. This represented approximately 7% of our total accounts receivable outstanding at December 31, 2016. Anixter generally pays all outstanding receivables within thirty to sixty days of invoice receipt.

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Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Belden Inc.

We have audited the accompanying consolidated balance sheets of Belden Inc. (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Belden Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Belden Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 17, 2017, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
St. Louis, Missouri
February 17, 2017

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Belden Inc.
Consolidated Balance Sheets

	December 31, 2016	2015
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 848,116	$ 216,751
Receivables, net	388,059	387,386
Inventories, net	190,408	195,942
Other current assets	29,176	37,079
Assets held for sale	23,193	—
Total current assets	1,478,952	837,158
Property, plant and equipment, less accumulated depreciation	309,291	310,629
Goodwill	1,385,995	1,385,115
Intangible assets, less accumulated amortization	560,082	655,871
Deferred income taxes	33,706	34,295
Other long-lived assets	38,777	67,534
	$ 3,806,803	$ 3,290,602
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 258,203	$ 223,514
Accrued liabilities	310,340	323,249
Current maturities of long-term debt	—	2,500
Liabilities held for sale	1,736	—
Total current liabilities	570,279	549,263
Long-term debt	1,620,161	1,725,282
Postretirement benefits	104,050	105,230
Deferred income taxes	14,276	46,034
Other long-term liabilities	36,720	39,270
Stockholders' equity:		
Preferred stock, par value $0.01 per share— 2,000 shares authorized; 52 shares outstanding	1	—
Common stock, par value $0.01 per share— 200,000 shares authorized; 50,335 shares issued; 42,180 and 41,981 shares outstanding at 2016 and 2015, respectively	503	503
Additional paid-in capital	1,116,090	605,660
Retained earnings	783,812	679,716
Accumulated other comprehensive loss	(39,067)	(58,987)
Treasury stock, at cost— 8,155 and 8,354 shares at 2016 and 2015, respectively	(401,026)	(402,793)
Total Belden stockholders' equity	1,460,313	824,099
Noncontrolling interest	1,004	1,424
Total stockholders' equity	1,461,317	825,523
	$ 3,806,803	$ 3,290,602

The accompanying notes are an integral part of these Consolidated Financial Statements

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Belden Inc.
Consolidated Statements of Operations

	Years Ended December 31,		
	2016	2015	2014
	(In thousands, except per share amounts)		
Revenues	$2,356,672	$2,309,222	$2,308,265
Cost of sales	(1,375,678)	(1,391,049)	(1,488,816)
Gross profit	980,994	918,173	819,449
Selling, general and administrative expenses	(494,224)	(525,518)	(483,990)
Research and development	(140,601)	(148,311)	(113,914)
Amortization of intangibles	(98,385)	(103,791)	(58,426)
Impairment of assets held for sale	(23,931)	—	—
Operating income	223,853	140,553	163,119
Interest expense, net	(95,050)	(100,613)	(81,573)
Loss on debt extinguishment	(2,342)	—	—
Income from continuing operations before taxes	126,461	39,940	81,546
Income tax benefit (expense)	1,185	26,568	(7,114)
Income from continuing operations	127,646	66,508	74,432
Income (loss) from discontinued operations, net of tax	—	(242)	579
Loss from disposal of discontinued operations, net of tax	—	(86)	(562)
Net income	127,646	66,180	74,449
Less: Net loss attributable to noncontrolling interest	(357)	(24)	—
Net income attributable to Belden	128,003	66,204	74,449
Less: Preferred stock dividends	15,428	—	—
Net income attributable to Belden common stockholders	$112,575	$66,204	$74,449
Weighted average number of common shares and equivalents:			
Basic	42,093	42,390	43,273
Diluted	42,557	42,953	43,997
Basic income (loss) per share attributable to Belden common stockholders:			
Continuing operations	$2.67	$1.57	$1.72
Discontinued operations	—	(0.01)	0.01
Disposal of discontinued operations	—	—	(0.01)
Net income	$2.67	$1.56	$1.72
Diluted income (loss) per share attributable to Belden common stockholders:			
Continuing operations	$2.65	$1.55	$1.69
Discontinued operations	—	(0.01)	0.01
Disposal of discontinued operations	—	—	(0.01)
Net income	$2.65	$1.54	$1.69

The accompanying notes are an integral part of these Consolidated Financial Statements

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Belden Inc.
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2016	2015	2014
	(In thousands)		
Net income	$127,646	$66,180	$74,449
Foreign currency translation, net of tax of $1.2 million, $1.3 million, and $1.8 million, respectively	18,687	(20,842)	(10,387)
Adjustments to pension and postretirement liability, net of tax of $1.9 million, $3.1 million, and $3.6 million, respectively	1,170	7,864	(6,463)
Other comprehensive income (loss), net of tax	19,857	(12,978)	(16,850)
Comprehensive income	147,503	53,202	57,599
Less: Comprehensive loss attributable to noncontrolling interest	(420)	(46)	—
Comprehensive income attributable to Belden	$147,923	$53,248	$57,599

The accompanying notes are an integral part of these Consolidated Financial Statements

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Belden Inc.
Consolidated Cash Flow Statements

	Years Ended December 31,		
	2016	2015	2014
	(In thousands)		
Cash flows from operating activities:			
Net income	$127,646	$66,180	$74,449
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	145,593	150,342	102,162
Impairment of assets held for sale	23,931	—	—
Share-based compensation	18,178	17,745	18,858
Loss on debt extinguishment	2,342	—	—
Deferred income tax benefit	(30,034)	(45,674)	(17,796)
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:			
Receivables	(10,115)	6,066	(15,810)
Inventories	2,677	19,204	(2,260)
Accounts payable	39,298	(38,907)	28,120
Accrued liabilities	(13,181)	59,214	(5,598)
Accrued taxes	11,722	11,981	9,058
Other assets	760	(4,840)	6,268
Other liabilities	(4,023)	149	3,436
Net cash provided by operating activities	314,794	241,460	200,887
Cash flows from investing activities:			
Capital expenditures	(53,974)	(54,969)	(45,459)
Cash used to acquire businesses, net of cash acquired	(18,848)	(695,345)	(347,817)
Other	(827)	—	—
Proceeds from (payments for) disposal of business	—	3,527	(956)
Proceeds from disposal of tangible assets	392	533	1,884
Net cash used for investing activities	(73,257)	(746,254)	(392,348)
Cash flows from financing activities:			
Proceeds from the issuance of preferred stock, net	501,498	—	—
Borrowings under credit arrangements	222,050	200,000	456,163
Contribution from noncontrolling interest	—	1,470	—
Payments under borrowing arrangements	(294,375)	(152,500)	(2,500)
Cash dividends paid	(16,079)	(8,395)	(8,699)
Withholding tax payments for share based payment awards, net of proceeds from the exercise of stock options	(7,480)	(11,693)	(11,708)
Debt issuance costs paid	(3,910)	(898)	(10,700)
Payments under share repurchase program	—	(39,053)	(92,197)
Net cash provided by (used for) financing activities	401,704	(11,069)	330,359
Effect of foreign currency exchange rate changes on cash and cash equivalents	(11,876)	(8,548)	(11,040)
Increase (decrease) in cash and cash equivalents	631,365	(524,411)	127,858
Cash and cash equivalents, beginning of period	216,751	741,162	613,304
Cash and cash equivalents, end of period	$848,116	$216,751	$741,162

The accompanying notes are an integral part of these Consolidated Financial Statements

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Belden Inc.
Consolidated Stockholders' Equity Statements

	Belden Inc. Stockholders										
	Mandatory Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total
	Shares	Amount	Shares	Amount			Shares	Amount			
	(In thousands)										
Balance at December 31, 2013	—	$—	50,335	$503	$585,753	$556,214	(6,880)	$(276,748)	$(29,181)	$—	$836,541
Net income	—		—	—	—	74,449	—	—	—	—	74,449
Foreign currency translation, net of $1.8 million tax	—	—	—	—	—	—	—	—	(10,387)	—	(10,387)
Adjustments to pension and postretirement liability, net of $3.6 million tax	—	—	—	—	—	—	—	—	(6,463)	—	(6,463)
Other comprehensive loss, net of tax											(16,850)
Exercise of stock options, net of tax withholding forfeitures	—	—	—	—	(12,123)	—	194	2,395	—	—	(9,728)
Conversion of restricted stock units into common stock, net of tax withholding forfeitures	—	—	—	—	(3,958)	—	77	1,979	—	—	(1,979)
Share repurchase program	—	—	—	—	—	—	(1,262)	(92,197)	—	—	(92,197)
Share-based compensation related items	—	—	—	—	25,717	—	—	—	—	—	25,717
Common stock dividends ($0.20 per share)	—	—	—	—	—	(8,767)	—	—	—	—	(8,767)

Balance at December 31, 2014	—	$—	50,335	$503	$595,389	$621,896	(7,871)	$(364,571)	$(46,031)	$—	$807,186
Contribution from noncontrolling interest	—	—	—	—	—	—	—	—	—	1,470	1,470
Net income	—	—	—	—	—	66,204	—	—	—	(24)	66,180
Foreign currency translation, net of $1.3 million tax	—	—	—	—	—	—	—	—	(20,820)	(22)	(20,842)
Adjustments to pension and postretirement liability, net of $3.1 million tax	—	—	—	—	—	—	—	—	7,864	—	7,864
Other comprehensive loss, net of tax											(12,978)
Exercise of stock options, net of tax withholding forfeitures	—	—	—	—	(6,070)	—	100	(96)	—	—	(6,166)
Conversion of restricted stock units into common stock, net of tax withholding forfeitures	—	—	—	—	(6,454)	—	115	927	—	—	(5,527)
Share repurchase program	—	—	—	—	—	—	(698)	(39,053)	—	—	(39,053)
Share-based compensation related items	—	—	—	—	22,795	—	—	—	—	—	22,795
Common stock dividends ($0.20 per share)	—	—	—	—	—	(8,384)	—	—	—	—	(8,384)
Balance at December 31, 2015	—	$—	50,335	$503	$605,660	$679,716	(8,354)	$(402,793)	$(58,987)	$1,424	$825,523
Net income	—	—	—	—	—	128,003	—	—	—	(357)	127,646
Foreign currency translation, net of $1.2 million	—	—	—	—	—	—	—	—	18,750	(63)	18,687

tax											
Adjustments to pension and postretirement liability, net of $1.9 million tax	—	—	—	—	—	—	—	—	1,170	—	1,170
Other comprehensive income, net of tax											19,857
Preferred stock issuance, net	52	1	—	—	501,497	—	—	—	—	—	501,498
Exercise of stock options, net of tax withholding forfeitures	—	—	—	—	(4,205)	—	76	117	—	—	(4,088)
Conversion of restricted stock units into common stock, net of tax withholding forfeitures	—	—	—	—	(5,040)	—	123	1,650	—	—	(3,390)
Share-based compensation	—	—	—	—	18,178	—	—	—	—	—	18,178
Preferred stock dividends	—	—	—	—	—	(15,428)	—	—	—	—	(15,428)
Common stock dividends ($0.20 per share)	—	—	—	—	—	(8,479)	—	—	—	—	(8,479)
Balance at December 31, 2016	52	$1	50,335	$503	$1,116,090	$783,812	(8,155)	$(401,026)	$(39,067)	$1,004	$1,461,317

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The accompanying notes are an integral part of these Consolidated Financial Statements

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Notes to Consolidated Financial Statements
Note 1: Basis of Presentation
Business Description
Belden Inc. (the Company, us, we, or our) is an innovative signal transmission solutions company built around five global business platforms – Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound, and video for mission critical applications. We sell our products to distributors, end-users, installers, and directly to original equipment manufacturers (OEMs).
Consolidation
The accompanying Consolidated Financial Statements include Belden Inc. and all of its subsidiaries, including variable interest entities for which we are the primary beneficiary. We eliminate all significant affiliate accounts and transactions in consolidation.
Foreign Currency
For international operations with functional currencies other than the United States (U.S.) dollar, we translate assets and liabilities at current exchange rates; we translate income and expenses using average exchange rates. We report the resulting translation adjustments, as well as gains and losses from certain affiliate transactions, in accumulated other comprehensive income (loss), a separate component of stockholders' equity. We include exchange gains and losses on transactions in operating income.
We determine the functional currency of our foreign subsidiaries based upon the currency of the primary economic environment in which each subsidiary operates. Typically, that is determined by the currency in which the subsidiary primarily generates and expends cash. We have concluded that the local currency is the functional currency for all of our material subsidiaries.
Reporting Periods
Our fiscal year and fiscal fourth quarter both end on December 31. Our fiscal first quarter ends on the Sunday falling closest to 91 days after December 31. Our fiscal second and third quarters each have 91 days.
Use of Estimates in the Preparation of the Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and operating results and the disclosure of contingencies. Actual results could differ from those estimates. We make significant estimates with respect to the collectability and valuation of receivables, the valuation of inventory, the realization of deferred tax assets, the valuation of goodwill and indefinite-lived intangible assets, the valuation of contingent liabilities, the calculation of share-based compensation, the calculation of pension and other postretirement benefits expense, and the valuation of acquired businesses.
Reclassifications
We have made certain, insignificant reclassifications to the 2015 and 2014 Consolidated Financial Statements with no impact to reported net income in order to conform to the 2016 presentation.

Note 2: Summary of Significant Accounting Policies
Fair Value Measurement
Accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

- Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets, or financial instruments for which significant inputs are observable, either directly or indirectly; and

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- Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of December 31, 2016, 2015, and 2014 we utilized Level 1 inputs to determine the fair value of cash equivalents, and Level 3 inputs to determine the fair value of net assets acquired in business combinations (see Note 3) and for our annual impairment testing (see Note 10). We did not have any transfers between Level 1 and Level 2 fair value measurements during 2016.

Cash and Cash Equivalents

We classify cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. We periodically have cash equivalents consisting of short-term money market funds and other investments. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations. We do not enter into investments for trading or speculative purposes. As of December 31, 2016 and 2015, we did not have any such cash equivalents on hand.

Accounts Receivable

We classify amounts owed to us and due within twelve months, arising from the sale of goods or services in the normal course of business, as current receivables. We classify receivables due after twelve months as other long-lived assets.

At the time of sale, we establish an estimated reserve for trade, promotion, and other special price reductions such as contract pricing, discounts to meet competitor pricing, and on-time payment discounts. We also adjust receivable balances for, among other things, correction of billing errors, incorrect shipments, and settlement of customer disputes. Customers are allowed to return inventory if and when certain conditions regarding the physical state of the inventory and our approval of the return are met. Certain distribution customers are allowed to return inventory at original cost, in an amount not to exceed three percent of the prior year’s purchases, in exchange for an order of equal or greater value. Until we can process these reductions, corrections, and returns (together, the Changes) through individual customer records, we estimate the amount of outstanding Changes and recognize them by reducing revenues and accounts receivable. We also adjust inventory and cost of sales for the estimated level of returns. We base these estimates on historical and anticipated sales demand, trends in product pricing, and historical and anticipated Changes patterns. We make revisions to these estimates in the period in which the facts that give rise to each revision become known. Future market conditions might require us to take actions to further reduce prices and increase customer return authorizations. Unprocessed Changes recognized against our gross accounts receivable balance at December 31, 2016 and 2015 totaled $23.3 million and $19.1 million, respectively.

We evaluate the collectability of accounts receivable based on the specific identification method. A considerable amount of judgment is required in assessing the realizability of accounts receivable, including the current creditworthiness of each customer and related aging of the past due balances. We perform ongoing credit evaluations of our customers’ financial condition. Through these evaluations, we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings, or bankruptcy. We record a specific reserve for bad debts against amounts due to reduce the receivable to its estimated collectible balance. We recognized bad debt expense, net of recoveries, of $1.5 million, $(1.8) million, and $0.3 million in 2016, 2015, and 2014, respectively. In 2015, we recovered approximately $2.7 million of accounts receivable from one significant customer. The allowance for doubtful accounts at December 31, 2016 and 2015 totaled $8.1 million and $8.3 million, respectively.

Inventories and Related Reserves

Inventories are stated at the lower of cost or market. We determine the cost of all raw materials, work-in-process, and finished goods inventories by the first in, first out method. Cost components of inventories include direct labor, applicable production overhead, and amounts paid to suppliers of materials and products as well as freight costs and, when applicable, duty costs to import the materials and products.

We evaluate the realizability of our inventory on a product-by-product basis in light of historical and anticipated sales demand, technological changes, product life cycle, component cost trends, product pricing, and inventory condition.

In circumstances where inventory levels are in excess of anticipated market demand, where inventory is deemed technologically obsolete or not saleable due to condition, or where inventory cost exceeds net realizable value, we record a charge to cost of sales and reduce the inventory to its net realizable value. The allowances for excess and obsolete inventories at December 31, 2016 and 2015 totaled $24.6 million and $22.5 million, respectively.

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Property, Plant and Equipment

We record property, plant and equipment at cost. We calculate depreciation on a straight-line basis over the estimated useful lives of the related assets ranging from 10 to 40 years for buildings, 5 to 12 years for machinery and equipment, and 5 to 10 years for computer equipment and software. Construction in process reflects amounts incurred for the configuration and build-out of property, plant and equipment and for property, plant and equipment not yet placed into service. We charge maintenance and repairs—both planned major activities and less-costly, ongoing activities—to expense as incurred. We capitalize interest costs associated with the construction of capital assets and amortize the costs over the assets' useful lives. Depreciation expense is included in costs of sales; selling, general and administrative expenses; and research and development expenses in the Consolidated Statements of Operations based on the specific categorization and use of the underlying assets being depreciated.

We review property, plant and equipment to determine whether an event or change in circumstances indicates the carrying values of the assets may not be recoverable. We base our evaluation on the nature of the assets, the future economic benefit of the assets, and any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of an asset may not be recoverable, we determine whether impairment has occurred through the use of an undiscounted cash flow analysis. If impairment has occurred, we recognize a loss for the difference between the carrying amount and the fair value of the asset.

For purposes of impairment testing of long-lived assets, we have identified asset groups at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Generally, our asset groups are based on an individual plant or operating facility level. In some circumstances, however, a combination of plants or operating facilities may be considered the asset group due to interdependence of operational activities and cash flows.

Goodwill and Intangible Assets

Our intangible assets consist of (a) definite-lived assets subject to amortization such as developed technology, customer relationships, certain in-service research and development, certain trademarks, and backlog, and (b) indefinite-lived assets not subject to amortization such as goodwill, certain in-process research and development, and certain trademarks. We record amortization of the definite-lived intangible assets over the estimated useful lives of the related assets, which generally range from one year or less for backlog to more than 25 years for certain of our customer relationships. We determine the amortization method for our definite-lived intangible assets based on the pattern in which the economic benefits of the intangible asset are consumed. In the event we cannot reliably determine that pattern, we utilize a straight-line amortization method.

We test our goodwill and other indefinite-lived intangible assets not subject to amortization for impairment on an annual basis during the fourth quarter or when indicators of impairment exist. We base our estimates on assumptions we believe to be reasonable, but which are not predictable with precision and therefore are inherently uncertain. Actual future results could differ from these estimates.

The accounting guidance related to goodwill impairment testing allows for the performance of an optional qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Such an evaluation is made based on the weight of all available evidence and the significance of all identified events and circumstances that may influence the fair value of a reporting unit. If it is more likely than not that the fair value is less than the carrying value, then a quantitative assessment is required for the reporting unit, as described in the paragraph below. In 2016, we performed a qualitative assessment for seven of our reporting units, which collectively represented approximately $811 million of our consolidated goodwill balance. For those reporting units for which we performed a qualitative assessment, we determined that it was more likely than not that the fair value was greater than the carrying value, and therefore, we did not perform the calculation of fair value for these reporting units as described in the paragraph below.

For our annual impairment test in 2016, we performed a quantitative assessment for five of our reporting units. Under a quantitative assessment for goodwill impairment, we determine the fair value using the income approach (using Level 3 inputs) as reconciled to our aggregate market capitalization. Under the income approach, we calculate the fair

value of a reporting unit based on the present value of estimated future cash flows. If the fair value of the reporting unit exceeds the carrying value of the net assets including goodwill assigned to that unit, goodwill is not impaired. If the carrying value of the reporting unit's net assets including goodwill exceeds the fair value of the reporting unit, then we determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment of goodwill has occurred and we recognize an impairment loss for the difference between the carrying amount and the implied fair value of goodwill as a component of operating income. In addition to the income approach, we calculate the fair value of our reporting units under a market approach. The market approach measures the fair value of a reporting unit through analysis of financial multiples of comparable businesses. Consideration is given to the financial conditions and operating performance of the reporting unit being

valued relative to those publicly-traded companies operating in the same or similar lines of business. The fair values of the five reporting units tested under a quantitative approach were substantially in excess of the carrying values as of the impairment testing date.

We did not recognize any goodwill impairment in 2016, 2015, or 2014. See Note 10 for further discussion.

We also evaluate indefinite lived intangible assets for impairment annually or at other times if events have occurred or circumstances exist that indicate the carrying values of those assets may no longer be recoverable. We compare the fair value of the asset with its carrying amount. If the carrying amount of the asset exceeds its fair value, we recognize an impairment loss in an amount equal to that excess. We did not recognize impairment charges for our indefinite lived intangible assets in 2016, 2015, or 2014. See Note 10 for further discussion.

We review intangible assets subject to amortization whenever an event or change in circumstances indicates the carrying values of the assets may not be recoverable. We test intangible assets subject to amortization for impairment and estimate their fair values using the same assumptions and techniques we employ on property, plant and equipment. We did not recognize any impairment charges for amortizable intangible assets in 2016, 2015, or 2014.

Equity Method Investment

We have a 50% ownership interest in Xuzhou Hirschmann Electronics Co. Ltd (the Hirschmann JV), which we acquired in connection with our 2007 acquisition of Hirschmann Automation and Control GmbH. The Hirschmann JV is an entity located in China that supplies load-moment indicators to the mobile crane market. We account for this investment using the equity method of accounting. During the fourth quarter of 2016, we committed to a plan to sell the Hirschmann JV and reached an agreement in principle with a buyer. As of December 31, 2016, the $26.8 million carrying value of our investment in the Hirschmann JV was classified as held for sale. As of December 31, 2015, the $29.5 million carrying value of our investment in the Hirschmann JV was included in other long-lived assets on our Consolidated Balance Sheet. See Note 4.

Pension and Other Postretirement Benefits

Our pension and other postretirement benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, salary growth, long-term return on plan assets, health care cost trend rates, mortality tables, and other factors. We base the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. The salary growth assumptions reflect our long-term actual experience and future or near-term outlook. We determine the long-term return on plan assets based on historical portfolio results and management's expectation of the future economic environment. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook, and an assessment of likely long-term trends. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the projected benefit obligation or the fair market value of plan assets, are amortized over the estimated future working life of the plan participants.

Accrued Sales Rebates

We grant incentive rebates to participating customers as part of our sales programs. The rebates are determined based on certain targeted sales volumes. Rebates are paid quarterly or annually in either cash or receivables credits. Until we can process these rebates through individual customer records, we estimate the amount of outstanding rebates and recognize them as accrued liabilities and reductions in our gross revenues. We base our estimates on both historical and anticipated sales demand and rebate program participation. We charge revisions to these estimates back to accrued liabilities and revenues in the period in which the facts that give rise to each revision become known. Future market conditions and product transitions might require us to take actions to increase sales rebates offered, possibly resulting in an incremental increase in accrued liabilities and an incremental reduction in revenues at the time the rebate is offered. Accrued sales rebates at December 31, 2016 and 2015 totaled $33.1 million and $30.0 million, respectively.

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable, the amounts of which are currently not material. A significant amount of judgment and use of

estimates is required to quantify our ultimate exposure in these matters. We review the valuation of these liabilities on a quarterly basis, and we adjust the balances to account for changes in circumstances for ongoing and emerging issues.

We accrue environmental remediation costs based on estimates of known environmental remediation exposures developed in consultation with our environmental consultants and legal counsel, the amounts of which are not currently material. We expense environmental compliance costs, which include maintenance and operating costs with respect to ongoing monitoring programs, as incurred. We evaluate the range of potential costs to remediate environmental sites. The ultimate cost of site clean-up is difficult to predict given the uncertainties of our involvement in certain sites, uncertainties regarding the extent of the required clean-up, the availability of alternative clean-up methods, variations in the interpretation of applicable laws and regulations, the possibility of insurance recoveries with respect to certain sites, and other factors.

We are, from time to time, subject to routine litigation incidental to our business. These lawsuits primarily involve claims for damages arising out of the use of our products, allegations of patent or trademark infringement, and litigation and administrative proceedings involving employment matters and commercial disputes. Assessments regarding the ultimate cost of lawsuits require judgments concerning matters such as the anticipated outcome of negotiations, the number and cost of pending and future claims, and the impact of evidentiary requirements. Based on facts currently available, we believe the disposition of the claims that are pending or asserted will not have a materially adverse effect on our financial position, results of operations or cash flow.

Business Combination Accounting

We allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded to goodwill. We use all available information to estimate fair values. We typically engage third party valuation specialists to assist in the fair value determination of inventories, tangible long-lived assets, and intangible assets other than goodwill. The carrying values of acquired receivables and accounts payable have historically approximated their fair values as of the business combination date. As necessary, we may engage third party specialists to assist in the estimation of fair value for certain liabilities, such as deferred revenue or postretirement benefit liabilities. We adjust the preliminary purchase price allocation, as necessary, typically up to one year after the acquisition closing date as we obtain more information regarding asset valuations and liabilities assumed.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer’s purchase order or sales agreement. At times, we enter into arrangements that involve the delivery of multiple elements. For these arrangements, when the elements can be separated, the revenue is allocated to each deliverable based on that element’s relative selling price and recognized based on the period of delivery for each element. Generally, we determine relative selling price using vendor specific objective evidence (VSOE).

We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We record revisions to these estimates in the period in which the facts that give rise to each revision become known. Taxes collected from customers and remitted to governmental authorities are not included in our revenues.

We have certain products subject to the accounting guidance on software revenue recognition. For such products, software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable, collection is probable and VSOE of the fair value of undelivered elements exists. As substantially all of the software licenses are sold in multiple-element arrangements that include either support and maintenance or both support and maintenance and professional services, we use the residual method to determine the amount of software license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as software license revenue. We have established VSOE of the fair value of support and maintenance, subscription-based software licenses, and professional services. Software license revenue is generally recognized upon delivery of the software if all revenue recognition criteria are met.

Revenue allocated to support services under our support and maintenance contracts is typically paid in advance and recognized ratably over the term of the service. Revenue allocated to subscription-based software and remote ongoing

operational services is also paid in advance and recognized ratably over the term of the service. Revenue allocated to professional services, including remote implementation services, is recognized as the services are performed.
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On July 5, 2011, our wholly-owned subsidiary, PPC Broadband, Inc. (PPC), filed an action for patent infringement against Corning Optical Communications RF LLC (Corning). The Complaint alleged that Corning infringed two of PPC's patents. In July 2015, a jury found that Corning willfully infringed both patents. In November 2016, following a series of post-trial motions, the trial judge issued rulings for a total judgment in our favor of approximately $61.3 million. In December 2016, Corning appealed the case to the U.S. Court of Appeals for the Federal Circuit, and that appeal remains pending. We have not recorded any amounts in our consolidated financial statements related to this matter due to the pendency of the appeal.

In 2016, we entered into a patent settlement agreement with a company whereby we received $10.3 million of royalty revenues. We expect to receive additional royalty revenues under the patent settlement agreement in 2017 and beyond. Our Broadcast Segment Revenues in 2016 include $4.7 million of the $10.3 million total royalty revenues received from the patent settlement agreement. The remaining $5.6 million is a reconciling item from total Segment Revenues to consolidated revenues. See Note 6.

Cost of Sales

Cost of sales includes our total cost of inventory sold during the period, including material, labor, production overhead costs, variable manufacturing costs, and fixed manufacturing costs. Production overhead costs include operating supplies, applicable utility expenses, maintenance costs, and scrap. Variable manufacturing costs include inbound, interplant, and outbound freight, inventory shrinkage, and charges for excess and obsolete inventory. Fixed manufacturing costs include the costs associated with our purchasing, receiving, inspection, warehousing, distribution centers, production and inventory control, and manufacturing management. Cost of sales also includes the costs to provide maintenance and support and other professional services.

Shipping and Handling Costs

We recognize fees earned on the shipment of product to customers as revenues and recognize costs incurred on the shipment of product to customers as a cost of sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include expenses not directly related to the production of inventory. They include all expenses related to selling and marketing our products, as well as the salary and benefit costs of associates performing the selling and marketing functions. Selling, general and administrative expenses also include salary and benefit costs, purchased services, and other costs related to our executive and administrative functions.

Research and Development Costs

Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were $27.2 million, $27.5 million, and $21.8 million for 2016, 2015, and 2014, respectively.

Share-Based Compensation

We compensate certain employees and non-employee directors with various forms of share-based payment awards and recognize compensation costs for these awards based on their fair values. We estimate the fair values of certain awards, primarily stock appreciation rights (SARs), on the grant date using the Black-Scholes-Merton option-pricing formula, which incorporates certain assumptions regarding the expected term of an award and expected stock price volatility. We develop the expected term assumption based on the vesting period and contractual term of an award, our historical exercise and cancellation experience, our stock price history, plan provisions that require exercise or cancellation of awards after employees terminate, and the extent to which currently available information indicates that the future is reasonably expected to differ from past experience. We develop the expected volatility assumption based on historical price data for our common stock. We estimate the fair value of certain restricted stock units with service vesting conditions and performance vesting conditions based on the grant date stock price. We estimate the fair value of certain restricted stock units with market conditions using a Monte Carlo simulation valuation model with the assistance of a third party valuation firm.

After calculating the aggregate fair value of an award, we use an estimated forfeiture rate to discount the amount of share-based compensation cost expected to be recognized in our operating results over the service period of the award.

We develop the forfeiture assumption based on our historical pre-vesting cancellation experience.

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Income Taxes
Income taxes are provided based on earnings reported for financial statement purposes. The provision for income taxes differs from the amounts currently payable to taxing authorities because of the recognition of revenues and expenses in different periods for income tax purposes than for financial statement purposes. Income taxes are provided as if operations in all countries, including the U.S., were stand-alone businesses filing separate tax returns. We have determined that all undistributed earnings from our international subsidiaries will not be remitted to the U.S. in the foreseeable future and, therefore, no additional provision for U.S. taxes has been made on foreign earnings.
We recognize deferred tax assets resulting from tax credit carryforwards, net operating loss carryforwards, and deductible temporary differences between taxable income on our income tax returns and pretax income on our financial statements. Deferred tax assets generally represent future tax benefits to be received when these carryforwards can be applied against future taxable income or when expenses previously reported in our Consolidated Financial Statements become deductible for income tax purposes. A deferred tax asset valuation allowance is required when some portion or all of the deferred tax assets may not be realized.
Our effective tax rate is based on expected income, statutory tax rates, and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions. We establish accruals for uncertain tax positions when we believe that the full amount of the associated tax benefit may not be realized. To the extent we were to prevail in matters for which accruals have been established or would be required to pay amounts in excess of reserves, there could be a material effect on our income tax provisions in the period in which such determination is made.
Current-Year Adoption of Accounting Pronouncements
In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for fiscal years beginning after December 15, 2015. We adopted ASU 2015-03 effective January 1, 2016, retrospectively. Adoption resulted in a $6.0 million decrease in total current assets, a $19.2 million decrease in other long-lived assets, and a $25.2 million decrease in long-term debt in our Consolidated Balance Sheet as of December 31, 2015 compared to the prior period presentation. Adoption had no impact on our results of operations.
In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09), which requires entities to recognize the income tax effects of stock awards in the income statement when the awards vest or are settled. Further, ASU 2016-09 allows entities to withhold up to the maximum individual statutory tax rate without classifying the stock awards as a liability and to account for forfeitures either upon occurrence or by estimating forfeitures. We adopted ASU 2016-09 in the fourth quarter of 2016. Adoption resulted in a $1.2 million increase to income tax benefit in 2016 and an insignificant impact to weighted average number of diluted shares outstanding. Adoption also resulted in an increase to our cash flows from operating activities in our Consolidated Cash Flow Statements of $5.1 million and $6.9 million for the years ended December 31, 2015 and 2014, respectively, as well as a decrease to our cash flows from financing activities in our Consolidated Cash Flow Statements of $5.1 million and $6.9 million for the years ended December 31, 2015 and 2014, respectively. We also elected to continue estimating forfeitures for purposes of recognizing share-based compensation.
In May 2015, the FASB issued Accounting Standards Update No. 2015-07, Fair Value Measurement (Topic 820) (ASU 2015-07), which permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment, and limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. The standard is effective for fiscal years beginning after December 15, 2015. We adopted ASU 2015-07 effective January 1, 2016, retrospectively. Adoption had no impact on our results of operations.
In August 2014, the FASB issued disclosure guidance that requires us to evaluate, at each annual and interim period, whether substantial doubt exists about our ability to continue as a going concern, and if applicable, to provide related disclosures. The new guidance was effective for us for our annual period ending December 31, 2016. The adoption of

this guidance did not have a material effect on our financial statement disclosures, nor any impact on our results of operations.

Pending Adoption of Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those

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goods or services. ASU 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. We plan to adopt ASU 2014-09 on January 1, 2018, using the modified retrospective method of adoption. Although we have not yet completed our review of individual customer contracts, our overall, initial assessment indicates that the impact of adopting ASU 2014-09 on our Consolidated Financial Statements will not be material. We do not expect significant changes in the timing or method of revenue recognition for any of our material revenue streams. Based on our initial assessment, we have not identified a need to significantly change any of our accounting policies or practices. Furthermore, we do not expect significant changes to our accounting systems or controls upon adoption of ASU 2014-09. We will continue our evaluation of ASU 2014-09, including new or emerging interpretations of the standard, through the date of adoption.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (ASU 2016-02), a leasing standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. generally accepted accounting principles. The new standard will be effective for us beginning January 1, 2019. Early adoption is permitted. The standard requires the use of a modified retrospective transition method. We are evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory (ASU 2016-16), which requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the standard eliminates the exception to the recognition of current and deferred income taxes for an intra-entity asset transfer other than for inventory until the asset has been sold to an outside party. The new standard will be effective for us beginning January 1, 2017. Early adoption is permitted. We are evaluating the effect that ASU 2016-16 will have on our consolidated financial statements and related disclosures.

Note 3: Acquisitions

M2FX

We acquired 100% of the shares of M2FX Limited (M2FX) on January 7, 2016 for a purchase price of $19.0 million. M2FX is a manufacturer of fiber optic cable and fiber protective solutions for broadband access and telecommunications networks. M2FX is located in the United Kingdom. The results of M2FX have been included in our Consolidated Financial Statements from January 7, 2016, and are reported within the Broadcast segment. The M2FX acquisition was not material to our financial position or results of operations. Of the total purchase price, $3.2 million was deferred as estimated earn-out consideration. We determined the estimated fair value of the earn-out with the assistance of a third party valuation specialist using a probability weighted discounted cash flow model. The estimated earn-out was scheduled to be paid in early 2017, however, the financial targets tied to the earn-out were not achieved. We reduced the earn-out liability to zero as of December 31, 2016 and recognized a $3.2 million benefit in Selling, General and Administrative expenses in the Consolidated Statements of Operations. This benefit was excluded from Segment EBITDA of our Broadcast segment.

Tripwire

We acquired 100% of the outstanding ownership interest in Tripwire, Inc. (Tripwire) on January 2, 2015 for a purchase price of $703.2 million. The purchase price was funded with cash on hand and $200.0 million of borrowings under our revolving credit agreement (see Note 13). Tripwire is a leading global provider of advanced threat, security and compliance solutions. Tripwire’s solutions enable enterprises, service providers, manufacturers, and government agencies to detect, prevent, and respond to growing security threats. Tripwire is headquartered in Portland, Oregon. The results of Tripwire have been included in our Consolidated Financial Statements from January 2, 2015. We have determined that Tripwire is a reportable segment, Network Security Solutions. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as of January 2, 2015 (in thousands).

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Cash	$2,364
Receivables	37,792
Inventories	603
Other current assets	2,453
Property, plant and equipment	10,021
Goodwill	462,215
Intangible assets	306,000
Other non-current assets	659
Total assets	822,107
Accounts payable	3,142
Accrued liabilities	12,142
Deferred revenue	8,000
Deferred income taxes	95,074
Other non-current liabilities	540
Total liabilities	118,898
Net assets	$703,209

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations.

The fair value of acquired receivables is $37.8 million, with a gross contractual amount of $38.0 million.

For purposes of the above allocation, we based our estimate of the fair value for the acquired intangible assets, property, plant and equipment, and deferred revenue on a valuation study performed by a third party valuation firm. We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets and deferred revenue (Level 3 valuation). To determine the value of the acquired property, plant, and equipment, we used various valuation methods, including both the market approach, which considers sales prices of similar assets in similar conditions (Level 2 valuation), and the cost approach, which considers the cost to replace the asset adjusted for depreciation (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the Tripwire acquisition primarily consist of an expanded product portfolio with network security solutions that can be marketed to our existing broadcast, enterprise, and industrial customers. We do not have tax basis in the goodwill, and therefore, the goodwill is not deductible for tax purposes.

The intangible assets related to the acquisition consisted of the following:

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	Estimated Fair Value (In thousands)	Amortization Period (In years)
Intangible assets subject to amortization:		
Developed technology	$ 210,000	5.8
Customer relationships	56,000	15
Backlog	3,000	1
Total intangible assets subject to amortization	269,000	
Intangible assets not subject to amortization:		
Goodwill	462,215	
Trademarks	31,000	
In-process research and development	6,000	
Total intangible assets not subject to amortization	499,215	
Total intangible assets	$ 768,215	
Weighted average amortization period		7.7

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technology intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Trademarks have been determined by us to have indefinite lives and are not being amortized, based on our expectation that the trademarked products will generate cash flows for us for an indefinite period. We expect to maintain use of trademarks on existing products and introduce new products in the future that will also display the trademarks, thus extending their lives indefinitely. In-process research and development assets are considered indefinite-lived intangible assets until the completion or abandonment of the associated research and development efforts. Upon completion of the development process, we will make a determination of the useful life of the asset and begin amortizing the assets over that period. If the project is abandoned, we will write-off the asset at such time.

Our consolidated revenues and consolidated income from continuing operations before taxes for the year ended December 31, 2015 included $116.6 million of revenues and a $47.8 million loss from continuing operations before taxes from Tripwire. Consolidated revenues in the year ended December 31, 2015 were negatively impacted by approximately $50.4 million due to the reduction of the acquired deferred revenue balance to fair value. Our consolidated income from continuing operations before taxes for the year ended December 31, 2015 included $43.2 million of amortization of intangible assets and $9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards.

The following table illustrates the unaudited pro forma effect on operating results as if the Tripwire acquisition had been completed as of January 1, 2014.

	Years Ended December 31, 2015	December 31, 2014
	(In thousands, except per share data)	
	(Unaudited)	
Revenues	$ 2,354,191	$ 2,405,198
Income from continuing operations	92,104	23,302
Diluted income per share from continuing operations attributable to Belden stockholders	$ 2.14	$ 0.53

For purposes of the pro forma disclosures, the year ended December 31, 2014 includes nonrecurring expenses from the effects of purchase accounting, including the compensation expense from the accelerated vesting of acquiree stock compensation awards of $9.2 million and amortization of the sales backlog intangible asset of $3.0 million.

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations would have been had we completed the acquisition on the date assumed, nor is it necessarily indicative

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of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisition.

Coast Wire and Plastic Tech

We acquired 100% of the outstanding ownership interest in Coast Wire and Plastic Tech., LLC (Coast) on November 20, 2014 for cash of $36.0 million. Coast is a developer and manufacturer of customized wire and cable solutions used in high-end medical device, military and defense, and industrial applications. Coast is located in Carson, California. The results of Coast have been included in our Consolidated Financial Statements from November 20, 2014, and are reported within the Industrial Connectivity segment. The Coast acquisition was not material to our financial position or results of operations reported as of and for the year ended December 31, 2014.

ProSoft Technology, Inc.

We acquired 100% of the outstanding shares of ProSoft Technology, Inc. (ProSoft) on June 11, 2014 for cash of $104.1 million. ProSoft is a leading manufacturer of industrial networking products that translate between disparate automation systems, including the various protocols used by different automation vendors. The results of ProSoft have been included in our Consolidated Financial Statements from June 11, 2014, and are reported within the Industrial IT segment. ProSoft is headquartered in Bakersfield, California. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as of June 11, 2014 (in thousands).

Cash	$2,517
Receivables	5,894
Inventories	2,731
Other current assets	332
Property, plant and equipment	767
Goodwill	56,923
Intangible assets	40,800
Other non-current assets	622
Total assets	110,586
Accounts payable	2,544
Accrued liabilities	2,807
Other non-current liabilities	1,132
Total liabilities	6,483
Net assets	$104,103

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations.

The fair value of acquired receivables is $5.9 million, with a gross contractual amount of $6.2 million.

For purposes of the above allocation, we based our estimate of the fair value of the acquired inventory and intangible assets on a valuation study performed by a third party valuation firm. We have estimated a fair value adjustment for inventories based on the estimated selling price of the work-in-process and finished goods acquired at the closing date less the sum of the costs to complete the work-in-process, the costs of disposal, and a reasonable profit allowance for our post acquisition selling efforts. We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the ProSoft acquisition primarily consist of expanded access to the Industrial IT market and channel

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partners. Our tax basis in the acquired goodwill is $56.9 million. The goodwill balance we recorded is deductible for tax purposes over a period of 15 years up to the amount of the tax basis. The intangible assets related to the acquisition consisted of the following:

	Fair Value	Amortization Period
	(In thousands)	(In years)
Intangible assets subject to amortization:		
Customer relationships	$ 26,600	20.0
Developed technologies	9,000	5.0
Trademarks	5,000	5.0
Backlog	200	0.3
Total intangible assets subject to amortization	40,800	
Intangible assets not subject to amortization:		
Goodwill	56,923	
Total intangible assets not subject to amortization	56,923	
Total intangible assets	$ 97,723	
Weighted average amortization period		14.8

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technologies intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life for the trademarks was based on the period of time we expect to continue to go to market using the trademarks. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Our consolidated revenues and consolidated income (loss) from continuing operations before taxes for the year ended December 31, 2014 included $31.7 million and ($2.5) million, respectively, from ProSoft. Our consolidated income from continuing operations before taxes for the year ended December 31, 2014 included $2.4 million of amortization of intangible assets and $1.4 million of cost of sales related to the adjustment of acquired inventory to fair value.

Grass Valley

We acquired 100% of the outstanding ownership interest in Grass Valley USA, LLC and GVBB Holdings S.a.r.l., (collectively, Grass Valley) on March 31, 2014 for cash of $218.2 million. Grass Valley is a leading provider of innovative technologies for the broadcast industry, including production switchers, cameras, servers, and editing solutions. Grass Valley is headquartered in Hillsboro, Oregon, with significant locations throughout the United States, Europe, and Asia. The results of Grass Valley have been included in our Consolidated Financial Statements from March 31, 2014, and are reported within the Broadcast segment. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as of March 31, 2014 (in thousands):

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Cash	$9,451
Receivables	67,354
Inventories	18,593
Other current assets	4,172
Property, plant and equipment	22,460
Goodwill	131,070
Intangible assets	95,500
Other non-current assets	17,101
Total assets	365,701
Accounts payable	51,276
Accrued liabilities	62,672
Deferred revenue	14,000
Postretirement benefits	16,538
Deferred income taxes	1,827
Other non-current liabilities	1,199
Total liabilities	147,512
Net assets	$218,189

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations.

The fair value of acquired receivables is $67.4 million, with a gross contractual amount of $77.2 million.

For purposes of the above allocation, we based our estimate of the fair value of the acquired inventory, property, plant, and equipment, intangible assets, and deferred revenue on a valuation study performed by a third party valuation firm. We have estimated a fair value adjustment for inventories based on the estimated selling price of the work-in-process and finished goods acquired at the closing date less the sum of the costs to complete the work-in-process, the costs of disposal, and a reasonable profit allowance for our post acquisition selling efforts. To determine the value of the acquired property, plant, and equipment, we used various valuation methods, including both the market approach, which considers sales prices of similar assets in similar conditions (Level 2 valuation), and the cost approach, which considers the cost to replace the asset adjusted for depreciation (Level 3 valuation). We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets and deferred revenue (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the Grass Valley acquisition primarily consist of cost savings from the ability to consolidate existing and acquired operating facilities and other support functions, as well as expanded access to the Broadcast market. Our estimated tax basis in the acquired goodwill is not significant. The intangible assets related to the acquisition consisted of the following:

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	Fair Value	Amortization Period
	(In thousands)	(In years)
Intangible assets subject to amortization:		
Developed technologies	$ 37,000	5.0
Customer relationships	27,000	15.0
Backlog	1,500	0.3
Total intangible assets subject to amortization	65,500	
Intangible assets not subject to amortization:		
Goodwill	131,070	
Trademarks	22,000	
In-process research and development	8,000	
Total intangible assets not subject to amortization	161,070	
Total intangible assets	$ 226,570	
Weighted average amortization period		9.0

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technologies intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Trademarks have been determined by us to have indefinite lives and are not being amortized, based on our expectation that the trademarked products will generate cash flows for us for an indefinite period. We expect to maintain use of trademarks on existing products and introduce new products in the future that will also display the trademarks, thus extending their lives indefinitely. In-process research and development assets are considered indefinite-lived intangible assets until the completion or abandonment of the associated research and development efforts. Upon completion of the development process, we will make a determination of the useful life of the asset and begin amortizing the assets over that period. If the project is abandoned, we will write-off the asset at such time.

Our consolidated revenues and consolidated income (loss) from continuing operations before taxes for the year ended December 31, 2014 included $196.2 million and ($58.5) million, respectively, from Grass Valley. Our consolidated income from continuing operations before taxes for the year ended December 31, 2014 included $8.6 million of amortization of intangible assets and $6.9 million of cost of sales related to the adjustment of acquired inventory to fair value. We also recognized certain severance, restructuring, and acquisition integration costs in the 2014 related to Grass Valley. See Note 13.

The following table illustrates the unaudited pro forma effect on operating results as if the Grass Valley and ProSoft acquisitions had been completed as of January 1, 2013.

	Year ended December 31, 2014
	(In thousands, except per share data)
	(Unaudited)
Revenues	$ 2,401,200
Income from continuing operations	67,956
Diluted income per share from continuing operations attributable to Belden stockholders	$ 1.54

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations would have been had we completed the acquisition on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisition.

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Note 4: Assets Held for Sale

We classify assets and liabilities as held for sale (disposal group) when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. We also consider whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. When we classify a disposal group as held for sale, we test for impairment. An impairment charge is recognized when the carrying value of the disposal group exceeds the estimated fair value, less costs to sell. We also cease depreciation and amortization for assets classified as held for sale.

During the fourth quarter of 2016, we committed to a plan to sell our MCS business and Hirschmann JV and determined that we met all of the criteria to classify the assets and liabilities of these businesses as held for sale. The MCS business is part of the Industrial Connectivity segment and the Hirschmann JV is an equity method investment that is not included in an operating segment. We have reached an agreement in principle to sell this disposal group for a total sales price of $39 million. The carrying value of disposal group exceeded the fair value less costs to sell, which we determined based on the expected sales price, by $23.9 million. Therefore, we recognized an impairment charge equal to this amount in the fourth quarter of 2016. The following table provides the major classes of assets and liabilities classified as held for sale. In addition, the disposal group had $15.7 million of accumulated other comprehensive losses at December 31, 2016.

	December 31, 2016
	(In thousands)
Receivables, net	$ 4,551
Inventories, net	2,848
Other current assets	1,131
Property, plant, and equipment	1,946
Intangible assets	4,405
Goodwill	5,477
Other long-lived assets	26,766
Total assets of disposal group	47,124
Impairment of assets held for sale	(23,931)
Total assets held for sale	$ 23,193
Accrued liabilities	$ 1,288
Postretirement benefits	448
Total liabilities held for sale	$ 1,736

Note 5: Discontinued Operations

In 2012, we sold our Thermax and Raydex cable business for $265.6 million in cash and recognized a pre-tax gain of $211.6 million ($124.7 million net of tax). At the time the transaction closed, we received $265.6 million in cash, subject to a working capital adjustment. In 2014, we recognized a $0.9 million ($0.6 million net of tax) loss from disposal of discontinued operations related to this business as a result of settling the working capital adjustment and other matters.

In 2010, we completed the sale of Trapeze Networks, Inc. (Trapeze) for $152.1 million and recognized a pre-tax gain of $88.3 million ($44.8 million after-tax). At the time the transaction closed, a portion of the sale price was placed in escrow as partial security for our indemnity obligations under the sale agreement. During 2015, we agreed to a final settlement with the buyer of Trapeze regarding the escrow, and collected $3.5 million of the escrow receivable and

recognized a $0.2 million ($0.1 million net of tax) loss from disposal of discontinued operations. Additionally, we recognized a $0.2 million net loss from discontinued operations for income tax expense related to this disposed business in 2015. In 2014, we recognized $0.6 million of income from discontinued operations due to the reversal of an uncertain tax position liability related to this disposed business.

Note 6: Operating Segments and Geographic Information

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We are organized around five global business platforms: Broadcast, Enterprise Connectivity, Industrial Connectivity, Industrial IT, and Network Security. The Network Security platform was formed with our acquisition of Tripwire in January 2015. We have determined that each of the global business platforms represents a reportable segment.

The segments design, manufacture, and market a portfolio of signal transmission solutions for mission critical applications used in a variety of end markets, including broadcast, enterprise, and industrial. We sell the products manufactured by our segments principally through distributors or directly to systems integrators, original equipment manufacturers (OEMs), end-users, and installers.

To capitalize on the adoption of IP technology and accelerate our penetration of the commercial audio-video market, we transferred responsibility of audio-video cable and connectors from our Broadcast platform to our Enterprise Connectivity platform effective January 1, 2016. We have revised the prior period segment information to conform to the change in the composition of these reportable segments. This transfer had no impact to our reporting units for purposes of goodwill impairment testing.

Effective January 1, 2015, the key measures of segment profit or loss reviewed by our chief operating decision maker are Segment Revenues and Segment EBITDA. Segment Revenues represent non-affiliate revenues and include revenues that would have otherwise been recorded by acquired businesses as independent entities but were not recognized in our Consolidated Statements of Operations due to the effects of purchase accounting and the associated write-down of acquired deferred revenue to fair value. Segment EBITDA excludes certain items, including depreciation expense; amortization of intangibles; asset impairment; severance, restructuring, and acquisition integration costs; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value; and other costs. We allocate corporate expenses to the segments for purposes of measuring Segment EBITDA. Corporate expenses are allocated on the basis of each segment’s relative EBITDA prior to the allocation. The prior period presentation has been updated accordingly.

Our measure of segment assets does not include cash, goodwill, intangible assets, deferred tax assets, or corporate assets. All goodwill is allocated to reporting units of our segments for purposes of impairment testing.

The results of our equity method investment in the Hirschmann JV are analyzed separately from the results of our operating segments, and they are not included in the corporate expense allocation.

Operating Segment Information

Broadcast Solutions	Years ended December 31,		
	2016	2015	2014
	(In thousands)		
Segment revenues	$769,753	$739,970	$757,767
Affiliate revenues	744	916	821
Segment EBITDA	137,870	113,638	116,966
Depreciation expense	16,229	16,295	15,854
Amortization of intangibles	47,248	49,812	49,562
Severance, restructuring, and acquisition integration costs	10,414	39,078	48,440
Purchase accounting effects of acquisitions	(2,991)	132	8,574
Deferred gross profit adjustments	1,774	2,446	10,777
Patent settlement	(5,554)	—	—
Acquisition of property, plant and equipment	15,713	27,365	17,091
Segment assets	325,396	346,095	378,024

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Enterprise Connectivity Solutions	Years ended December 31,		
	2016	2015	2014
	(In thousands)		
Segment revenues	$603,188	$605,910	$626,614
Affiliate revenues	5,977	5,322	8,467
Segment EBITDA	101,298	100,214	89,352
Depreciation expense	13,226	12,591	14,443
Amortization of intangibles	1,718	1,720	1,827
Severance, restructuring, and acquisition integration costs	11,962	723	3,435
Purchase accounting effects of acquisitions	912	52	608
Acquisition of property, plant and equipment	22,679	10,323	13,395
Segment assets	246,564	238,400	259,344

Industrial Connectivity Solutions	Years ended December 31,		
	2016	2015	2014
	(In thousands)		
Segment revenues	$585,476	$603,350	$682,374
Affiliate revenues	1,325	1,613	2,927
Segment EBITDA	101,248	99,941	106,097
Depreciation expense	11,038	11,235	11,145
Amortization of intangibles	2,394	3,154	1,236
Severance, restructuring, and acquisition integration costs	9,923	6,228	11,953
Purchase accounting effects of acquisitions	—	334	1,328
Acquisition of property, plant and equipment	10,486	8,836	10,053
Segment assets	226,306	231,265	255,997

Industrial IT Solutions	Years ended December 31,		
	2016	2015	2014
	(In thousands)		
Segment revenues	$235,441	$244,303	$253,464
Affiliate revenues	79	70	54
Segment EBITDA	45,067	43,253	47,927
Depreciation expense	2,396	2,293	2,294
Amortization of intangibles	6,016	5,859	5,801
Severance, restructuring, and acquisition integration costs	6,320	169	6,999
Purchase accounting effects of acquisitions	—	32	2,030
Acquisition of property, plant and equipment	1,347	2,039	1,903
Segment assets	58,845	55,285	67,417

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Network Security Solutions	Years ended December 31,		
	2016	2015	2014
	(In thousands)		
Segment revenues	$163,947	$167,050	$—
Affiliate revenues	—	8	—
Segment EBITDA	47,706	44,620	—
Depreciation expense	4,319	4,137	—
Amortization of intangibles	41,009	43,246	—
Severance, restructuring, and acquisition integration costs	151	972	—
Purchase accounting effects of acquisitions	—	9,197	—
Deferred gross profit adjustments	4,913	50,430	—
Acquisition of property, plant and equipment	3,357	5,009	—
Segment assets	56,887	63,235	—

Total Segments	Years ended December 31,		
	2016	2015	2014
	(In thousands)		
Segment revenues	$2,357,805	$2,360,583	$2,320,219
Affiliate revenues	8,125	7,929	12,269
Segment EBITDA	433,189	401,666	360,342
Depreciation expense	47,208	46,551	43,736
Amortization of intangibles	98,385	103,791	58,426
Severance, restructuring, and acquisition integration costs	38,770	47,170	70,827
Purchase accounting effects of acquisitions	(2,079)	9,747	12,540
Deferred gross profit adjustments	6,687	52,876	10,777
Patent settlement	(5,554)	—	—

	5,962	5,784	5,867	5,790	5,808	
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(104)**	(114)	(124)	(132)	(144)
Other intangible assets deferred tax liability (1)	**36**	40	43	46	50
Total tangible equity (2)	**5,450**	5,266	5,342	5,260	5,270
Preferred shareholders equity	**(386)**	(386)	(386)	(386)	(386)

Total tangible common equity (2)	**$ 5,064**	$ 4,880	$ 4,956	$ 4,874	$ 4,884
Total assets	**$ 56,648**	$ 56,114	$ 56,055	$ 56,153	$ 56,443
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(104)**	(114)	(124)	(132)	(144)
Other intangible assets deferred tax liability (1)	**36**	40	43	46	50
Total tangible assets (2)	**$ 56,136**	$ 55,596	$ 55,530	$ 55,623	$ 55,905
Tier 1 capital	**$ 6,018**	$ 5,885	$ 5,829	$ 5,741	$ 5,720
Preferred shareholders equity	**(386)**	(386)	(386)	(386)	(386)
Trust preferred securities	**(299)**	(299)	(299)	(299)	(335)
REIT preferred stock	**(50)**	(50)	(50)	(50)	(50)
Tier 1 common equity (2)	**$ 5,283**	$ 5,150	$ 5,094	$ 5,006	$ 4,949
Risk-weighted assets (RWA)	**$ 48,687**	$ 48,080	$ 47,937	$ 47,773	$ 48,147
Tier 1 common equity / RWA ratio (2)	**10.85%**	10.71%	10.62%	10.48%	10.28%
Tangible equity / tangible asset ratio (2)	**9.71**	9.47	9.62	9.46	9.43
Tangible common equity / tangible asset ratio (2)	**9.02**	8.78	8.92	8.76	8.74
Tangible common equity / RWA ratio (2)	**10.40**	10.15	10.34	10.20	10.14

(1) Other intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.

(2) Tangible equity, Tier 1 common equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.

Our Tier 1 common equity risk-based ratio improved 37 basis points to 10.85% at September 30, 2013, compared with 10.48% at December 31, 2012. This increase primarily reflected the increase in retained earnings, partially offset by the repurchase of 16.7 million common shares and the impacts related to the payments of dividends.

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The following table presents certain regulatory capital data at both the consolidated and Bank levels for each of the past five quarters:

Table 35 Regulatory Capital Data

		2013			2012	
(dollar amounts in millions)		**September 30,**	June 30,	March 31,	December 31,	September 30,
Total risk-weighted assets	Consolidated	**$ 48,687**	$ 48,080	$ 47,937	$ 47,773	$ 48,147
	Bank	**48,570**	48,026	47,842	47,676	48,033
Tier 1 risk-based capital	Consolidated	**6,017**	5,885	5,829	5,741	5,720
	Bank	**5,540**	5,343	5,162	5,003	4,818
Tier 2 risk-based capital	Consolidated	**1,127**	1,120	1,144	1,187	1,192
	Bank	**825**	819	947	1,091	1,196
Total risk-based capital	Consolidated	**7,144**	7,005	6,973	6,928	6,912
	Bank	**6,365**	6,162	6,109	6,094	6,014
Tier 1 leverage ratio	Consolidated	**10.85%**	10.64%	10.57%	10.36%	10.29%
	Bank	**10.01**	9.68	9.38	9.05	8.68
Tier 1 risk-based capital ratio	Consolidated	**12.36**	12.24	12.16	12.02	11.88
	Bank	**11.41**	11.13	10.79	10.49	10.03
Total risk-based capital ratio	Consolidated	**14.67**	14.57	14.55	14.50	14.36
	Bank	**13.11**	12.83	12.77	12.78	12.52

The increase in our consolidated Tier 1 risk-based capital ratios compared with December 31, 2012, primarily reflected an increase in retained earnings, partially offset by the repurchase of 16.7 million common shares and the impacts related to the payments of dividends.

Shareholders Equity

We generate shareholders equity primarily through the retention of earnings, net of dividends. Other potential sources of shareholders equity include issuances of common and preferred stock. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, to meet both regulatory and market expectations, and to provide the flexibility needed for future growth and business opportunities. Shareholders equity totaled $6.0 billion at September 30, 2013, an increase of $0.2 billion when compared with December 31, 2012.

Dividends

We consider disciplined capital management as a key objective, with dividends representing one component. Our strong capital ratios and expectations for continued earnings growth positions us to continue to actively explore additional capital management opportunities.

On October 17, 2013, our board of directors declared a quarterly cash dividend of $0.05 per common share, payable on January 2, 2014. Also, cash dividends of $0.05, $0.05 and $0.04 per common share were declared on July 18, 2013, April 17, 2013 and January 17, 2013, respectively. Our 2013 capital plan to the FRB *(see Capital Planning section above)* included quarterly common dividends of $0.05 per common share through the 2014 first quarter.

On October 17, 2013, our board of directors declared a quarterly cash dividend on our 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock of $21.25 per share. The dividend is payable on January 15, 2014. Also, cash dividends of $21.25 per share were declared on July 18, 2013, April 17, 2013 and January 17, 2013.

On October 17, 2013, our board of directors also declared a quarterly cash dividend on our Floating Rate Series B Non-Cumulative Perpetual Preferred Stock of $7.36 per share. The dividend is payable on January 15, 2014. Also, cash dividends of $7.42, $7.44 and $7.51 per share were declared on July 18, 2013, April 17, 2013 and January 17, 2013, respectively.

Share Repurchases

From time to time the board of directors authorizes the Company to repurchase shares of our common stock. Although we announce when the board of directors authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward

transactions, and similar transactions. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including the FRB s response to our capital plan.

Our board of directors has authorized a share repurchase program consistent with our capital plan of the potential repurchase of up to $227.0 million of common stock. During the three-month period ended September 30, 2013, we repurchased 2.0 million common shares at a weighted average share price of $8.18. During the nine-month period ended September 30, 2013, we repurchased 16.7 million common shares at a weighted average share price of $7.46. Although Huntington has the ability to repurchase up to $136 million of additional shares of common stock through the first quarter of 2014, we intend to continue disciplined repurchase activity consistent with our annual capital plan, our capital return objectives, and market conditions especially as those conditions impact the trading price of our common stock. We do not anticipate that the pending transaction with Camco will materially impact our repurchase activities except during the relatively limited time we will be required to be out of the market under the SEC s Regulation M.

Fair Value

Fair Value Measurements

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. We estimate the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. We characterize active markets as those where transaction volumes are sufficient to provide objective pricing information, with reasonably narrow bid/ask spreads, and where received quoted prices do not vary widely. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. Inactive markets are characterized by low transaction volumes, price quotations that vary substantially among market participants, or in which minimal information is released publicly. When observable market prices do not exist, we estimate fair value primarily by using cash flow and other financial modeling methods. Our valuation methods consider factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk. Other factors such as model assumptions, market dislocations, and unexpected correlations can affect estimates of fair value. Changes in these underlying factors, assumptions, or estimates in any of these areas could materially impact the amount of revenue or loss recorded.

The FASB ASC Topic 820, Fair Value Measurements, establishes a framework for measuring the fair value of financial instruments that considers the attributes specific to particular assets or liabilities and establishes a three-level hierarchy for determining fair value based on the transparency of inputs to each valuation as of the fair value measurement date. The three levels are defined as follows:

Level 1 quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices of identical or similar assets or liabilities in markets that are not active, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs that are unobservable and significant to the fair value measurement. Financial instruments are considered Level 3 when values are determined using pricing models, discounted cash flow methodologies, or similar techniques, and at least one significant model assumption or input is unobservable.

At the end of each quarter, we assess the valuation hierarchy for each asset or liability measured. As necessary, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs at the measurement date. The fair values measured at each level of the fair value hierarchy, additional discussion regarding fair value measurements, and a brief description of how fair value is determined for categories that have unobservable inputs, can be found in Note 14 of the Notes to Unaudited Condensed Consolidated Financial Statements.

BUSINESS SEGMENT DISCUSSION

Overview

We have four major business segments: Retail and Business Banking; Regional and Commercial Banking; Automobile Finance and Commercial Real Estate; and Wealth Advisors, Government Finance, and Home Lending. A Treasury / Other function also includes our insurance business and other unallocated assets, liabilities, revenue, and expenses. While this section reviews financial performance from a business segment perspective, it should be read in conjunction with the Discussion of Results of Operations, Note 19 of the Notes to Unaudited Condensed Consolidated Financial Statements, and other sections for a full understanding of our consolidated financial performance.

Business segment results are determined based upon our management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around our organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions.

Optimal Customer Relationship (OCR)

Our OCR initiative is a cross-business segment strategy designed to increase overall customer profitability and retention by deepening product and service penetration to consumer and commercial customers. We believe this can be accomplished by taking our broad array of services and products and delivering them through a rigorous and disciplined sales management process that is consistent across all business segments and regions. It is also supported by robust sales and referral technology.

OCR was introduced in late 2009. Through 2010, much of the effort was spent on defining processes, sales training, and systems development to fully capture and measure OCR performance metrics. In 2011, we introduced OCR-related metrics for commercial relationships, which complements the previously disclosed consumer OCR-related metrics. In 2013, we continue to experience strong consumer household and commercial relationship growth.

CONSUMER OCR PERFORMANCE

For consumer OCR performance, there are three key performance metrics: (1) the number of checking account households, (2) the number of services penetration per consumer checking account household, and (3) the revenue generated. Consumer households from all business segments are included.

The growth in consumer checking account number of households is a result of both new sales of checking accounts and improved retention of existing checking account households. The overall objective is to grow the number of households, along with an increase in product penetration.

We use the checking account since it typically represents the primary banking relationship product. We count additional products by type, not number of products. For example, a household that has one checking account and one mortgage, we count as having two services. A household with four checking accounts, we count as having one service. The household relationship utilizing four or more services is viewed to be more profitable and loyal. The overall objective, therefore, is to decrease the percentage of 1-3 services per consumer checking account household, while increasing the percentage of those with 4 or more services. Since we have made significant strides toward having the vast majority of our customers with 4+ products, during the 2013 second quarter, we changed our measurement to 6+ products. We are holding ourselves to a higher performance standard.

The following table presents consumer checking account household OCR metrics:

Table 36 Consumer Checking Household OCR Cross-sell Report

	2013			2012	
	Third	Second	First	Fourth	Third
Number of households	**1,314,587**	1,291,177	1,265,086	1,228,812	1,203,508
Product Penetration by Number of Services (1)					
1 Service	**3.2%**	3.3%	2.7%	3.1%	4.3%

2-3 Services	**19.5**	19.9	17.3	18.6	19.8
4-5 Services	**30.0**	30.1	29.3	31.1	31.3
6+ Services	**47.3**	46.7	50.7	47.2	44.6
Total revenue *(in millions)*	**$ 237.1**	$ 239.1	$ 239.4	$ 251.2	$ 246.0

(1) The definitions and measurements used in our OCR process are periodically reviewed and updated prospectively.

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Our emphasis on cross-sell, coupled with customers increasingly being attracted by our Fair Play banking philosophy with benefits such as 24-Hour Grace® on overdrafts and Asterisk-Free Checking , are having a positive effect as the number of households increased by 7% from the end of last year. The percent of consumer households with 6 or more products at the end of the 2013 third quarter was 47.3%, up from 46.7% at June 30, 2013 and 47.2% at December 31, 2012 due to increased product sales and services provided. Total consumer checking account household revenue in the 2013 third quarter was $237.1 million, down less than 1% from the 2013 second quarter, primarily related to typical seasonality. Total consumer checking account household revenue was down $8.9 million, or 4%, from the year-ago quarter, primarily due to the February 2013 implementation of a new posting order for consumer transaction accounts.

COMMERCIAL OCR PERFORMANCE

For commercial OCR performance, there are three key performance metrics: (1) the number of commercial relationships, (2) the number of services penetration per commercial relationship, and (3) the revenue generated. Commercial relationships include relationships from all business segments.

The growth in the number of commercial relationships is a result of both new sales of checking accounts and improved retention of existing commercial accounts. The overall objective is to grow the number of relationships, along with an increase in product service distribution.

The commercial relationship is defined as a business banking or commercial banking customer with a checking account relationship. We use this metric because we believe that the checking account anchors a business relationship and creates the opportunity to increase our cross-sell. Multiple sales of the same type of product are counted as one product, the same as consumer.

The following table presents commercial relationship OCR metrics:

Table 37 Commercial Relationship OCR Cross-sell Report

	2013			2012	
	Third	Second	First	Fourth	Third
Commercial Relationships (1)	**159,878**	158,010	155,584	151,083	149,333
Product Penetration by Number of Services (2)					
1 Service	**22.1%**	22.8%	23.7%	24.6%	25.9%
2-3 Services	**41.1**	40.9	40.2	40.4	40.6
4+ Services	**36.8**	36.3	36.1	35.0	33.5
Total revenue *(in millions)*	**$ 193.9**	$ 178.6	$ 175.1	$ 189.8	$ 175.7

(1) Checking account required.
(2) The definitions and measurements used in our OCR process are periodically reviewed and updated prospectively.

By focusing on targeted relationships we are able to achieve higher product service distribution among our commercial relationships, but leverage these relationships to generate a deeper share of wallet. The percent of commercial relationships utilizing 4 or more products at the end of 2013 third quarter was 36.8%, up from 33.5% from the end of last year. For the first nine-month period of 2013, commercial relationships grew 7%. Total commercial relationship revenue in the 2013 third quarter was $193.9 million, up $15.3 million, or 9%, from the 2013 second quarter, and up $18.2 million, or 10%, from the year-ago quarter. This reflects a $0.4 billion, or 2%, increase in commercial loans and increased customer transaction activity.

Revenue Sharing

Revenue is recorded in the business segment responsible for the related product or service. Fee sharing is recorded to allocate portions of such revenue to other business segments involved in selling to, or providing service to, customers. Results of operations for the business segments reflect these fee sharing allocations.

Expense Allocation

The management accounting process that develops the business segment reporting utilizes various estimates and allocation methodologies to measure the performance of the business segments. Expenses are allocated to business segments using a two-phase approach. The first phase consists of measuring and assigning unit costs (activity-based costs) to activities related to product origination and servicing. These activity-based costs are then extended, based on volumes, with the resulting amount allocated to business segments that own the related products. The second phase consists of the allocation of overhead costs to all four business segments from Treasury / Other. We utilize a full-allocation methodology, where all Treasury / Other expenses, except those related to our insurance business, reported Significant Items (except for the goodwill impairment), and a small amount of other residual unallocated expenses, are allocated to the four business segments.

Funds Transfer Pricing (FTP)

We use an active and centralized FTP methodology to attribute appropriate net interest income to the business segments. The intent of the FTP methodology is to eliminate all interest rate risk from the business segments by providing matched duration funding of assets and liabilities. The result is to centralize the financial impact, management, and reporting of interest rate and liquidity risk in the Treasury / Other function where it can be centrally monitored and managed. The Treasury / Other function charges (credits) an internal cost of funds for assets held in (or pays for funding provided by) each business segment. The FTP rate is based on prevailing market interest rates for comparable duration assets (or liabilities), and includes an estimate for the cost of liquidity (liquidity premium). Deposits of an indeterminate maturity receive an FTP credit based on a combination of vintage-based average lives and replicating portfolio pool rates. Other assets, liabilities, and capital are charged (credited) with a four-year moving average FTP rate. The denominator in the net interest margin calculation has been modified to add the amount of net funds provided by each business segment for all periods presented.

Treasury / Other

The Treasury / Other function includes revenue and expense related to our insurance business and assets, liabilities, and equity not directly assigned or allocated to one of the four business segments. Other assets include investment securities and bank owned life insurance. The financial impact associated with our FTP methodology, as described above, is also included.

Net interest income includes the impact of administering our investment securities portfolios and the net impact of derivatives used to hedge interest rate sensitivity. Noninterest income includes insurance income, miscellaneous fee income not allocated to other business segments, such as bank owned life insurance income and any investment security and trading asset gains or losses. Noninterest expense includes any insurance-related expenses, as well as certain corporate administrative, merger, and other miscellaneous expenses not allocated to other business segments. The provision for income taxes for the business segments is calculated at a statutory 35% tax rate, though our overall effective tax rate is lower. As a result, Treasury / Other reflects a credit for income taxes representing the difference between the lower actual effective tax rate and the statutory tax rate used to allocate income taxes to the business segments.

The $41.6 million, or 44%, year over year increase in net income for Treasury/Other was primarily the result of the FTP process described above partially offset by an increase in personnel costs.

Net Income by Business Segment

We reported net income of $480.9 million during the first nine-month period of 2013. This compared with net income of $473.7 million during the first nine-month period of 2012. The segregation of net income by business segment for the first nine-month period of 2013 and 2012 is

presented in the following table:

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Table 38 Net Income by Business Segment

(dollar amounts in thousands)	Nine Months Ended September 30, 2013	2012
Retail and Business Banking	**$ 51,785**	$ 72,957
Regional and Commercial Banking	**74,614**	72,851
AFCRE	**168,708**	173,557
WGH	**48,728**	58,885
Treasury/Other	**137,083**	95,493
Total net income	**$ 480,918**	$ 473,743

Average Loans/Leases and Deposits by Business Segment

The segregation of total average loans and leases and total average deposits by business segment for the first nine-month period of 2013 and 2012 is presented in the following table:

Table 39 Average Loans/Leases and Deposits by Business Segment

	Nine Months Ended September 30, 2013					
(dollar amounts in millions)	Retail and Business Banking	Regional and Commercial Banking	AFCRE	WGH	Treasury / Other	TOTAL
Average Loans/Leases						
Commercial and industrial	**$ 3,409**	**$ 10,702**	**$ 2,234**	**$ 596**	**$ 66**	**$ 17,007**
Commercial real estate	**411**	**344**	**4,103**	**213**		**5,071**
Total commercial	**3,820**	**11,046**	**6,337**	**809**	**66**	**22,078**
Automobile			**5,403**		**(1)**	**5,402**
Home equity	**7,508**	**7**	**1**	**860**	**(77)**	**8,299**
Residential mortgage	**1,056**	**7**		**4,138**	**(47)**	**5,154**
Other consumer	**289**	**4**	**54**	**18**	**86**	**451**
Total consumer	**8,853**	**18**	**5,458**	**5,016**	**(39)**	**19,306**
Total loans and leases	**$ 12,673**	**$ 11,064**	**$ 11,795**	**$ 5,825**	**$ 27**	**$ 41,384**
Average Deposits						
Demand deposits noninterest-bearing	**$ 5,306**	**$ 3,272**	**$ 575**	**$ 3,272**	**$ 289**	**$ 12,714**
Demand deposits interest-bearing	**4,709**	**92**	**51**	**1,029**	**7**	**5,888**
Money market deposits	**8,573**	**2,074**	**251**	**4,381**	**8**	**15,287**
Savings and other domestic deposits	**4,893**	**14**	**13**	**150**	**(2)**	**5,068**
Core certificates of deposit	**4,667**	**20**	**2**	**70**	**2**	**4,761**
Total core deposits	**28,148**	**5,472**	**892**	**8,902**	**304**	**43,718**
Other deposits	**134**	**225**	**73**	**809**	**1,095**	**2,337**
Total deposits	**$ 28,282**	**$ 5,697**	**$ 965**	**$ 9,711**	**$ 1,399**	**$ 46,055**

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(dollar amounts in millions)	Nine Months Ended September 30, 2012					
	Retail and Business Banking	Regional and Commercial Banking	AFCRE	WGH	Treasury / Other	TOTAL
Average Loans/Leases						
Commercial and industrial	$ 3,318	$ 9,549	$ 2,029	$ 785	$ 75	$ 15,756
Commercial real estate	554	385	4,776	169	(1)	5,883
Total commercial	3,872	9,934	6,805	954	74	21,639
Automobile			4,540			4,540
Home equity	7,446	22	1	825	11	8,305
Residential mortgage	1,033	8		4,155	5	5,201
Other consumer	354	5	89	40	(25)	463
Total consumer	8,833	35	4,630	5,020	(9)	18,509
Total loans and leases	$ 12,705	$ 9,969	$ 11,435	$ 5,974	$ 65	$ 40,148
Average Deposits						
Demand deposits noninterest-bearing	$ 4,667	$ 2,919	$ 492	$ 3,591	$ 221	$ 11,890
Demand deposits interest-bearing	4,598	105	48	1,042	7	5,800
Money market deposits	7,541	1,776	248	4,050	1	13,616
Savings and other domestic deposits	4,740	13	15	156		4,924
Core certificates of deposit	6,280	25	2	105	6	6,418
Total core deposits	27,826	4,838	805	8,944	235	42,648
Other deposits	167	218	64	712	1,070	2,231
Total deposits	$ 27,993	$ 5,056	$ 869	$ 9,656	$ 1,305	$ 44,879

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Retail and Business Banking

Table 40 Key Performance Indicators for Retail and Business Banking

(dollar amounts in thousands unless otherwise noted)	Nine Months Ended September 30, **2013**	2012	Change Amount	Percent
Net interest income	**$ 611,849**	$ 656,216	$ (44,367)	(7)%
Provision for credit losses	**101,196**	103,233	(2,037)	(2)
Noninterest income	**288,446**	286,745	1,701	1
Noninterest expense	**719,430**	727,486	(8,056)	(1)
Provision for income taxes	**27,884**	39,285	(11,401)	(29)
Net income	**$ 51,785**	$ 72,957	$ (21,172)	(29)%
Number of employees (full-time equivalent)	**5,236**	5,745	(509)	(9)%
Total average assets *(in millions)*	**$ 14,394**	$ 14,283	$ 111	1
Total average loans/leases *(in millions)*	**12,673**	12,705	(32)	
Total average deposits *(in millions)*	**28,282**	27,993	289	1
Net interest margin	**2.92%**	3.14%	(0.22)%	(7)
NCOs	**$ 89,679**	$ 121,826	$ (32,147)	(26)
NCOs as a % of average loans and leases	**0.94%**	1.28%	(0.34)%	(27)
Return on average common equity	**4.8**	6.9	(2.1)	(30)

2013 First Nine Months vs. 2012 First Nine Months

Retail and Business Banking reported net income of $51.8 million in the first nine-month period of 2013. This was a decrease of $21.2 million, or 29%, when compared to the year-ago period. The decrease in net income reflected a combination of factors described below.

The decrease in net interest income from the year-ago period reflected:

- 22 basis point decrease in the net interest margin. This decrease was mainly due to a 26 basis point decrease in deposit spreads that resulted from a reduction in the funds transfer prices rates assigned to those deposits.

Partially offset by:

- $0.3 billion, or 1%, increase in total average deposits.
- 9 basis points increase in loan spreads, driven by a reduction in the funds transfer price assigned to loans.

The decrease in total average loans and leases from the year-ago period reflected:

- $52 million, or 1%, decrease in commercial loans primarily due to increased payoff activity in the acquired Fidelity portfolio.

Partially offset by:

- $20 million, or 0.2%, increase in consumer loans which reflected growth in residential mortgages and consumer first-lien refinance loans.

The increase in total average deposits from the year-ago period reflected:

$1.0 billion, or 14%, increase in money market deposits.

$0.8 billion, or 8%, increase in demand deposits.

Partially offset by:

- $1.6 billion, or 26%, decrease in core certificates of deposit, which reflected continued focus on product mix in reducing the overall cost of deposits.

The decrease in the provision for credit losses from the year-ago period reflected:

- A continued improvement in the credit quality of the portfolio, as evidenced by a 34 basis point reduction in net charge-offs and a $16 million decline in nonaccrual loans.

The increase in noninterest income from the year-ago period reflected:

- $9.6 million, or 6%, increase in deposit service charge income due to strong household and account growth.
- $7.1 million, or 12%, increase in electronic banking income due to strong consumer household growth combined with increased consumer debit card activity.

Partially offset by:

- $5.8 million decline related to other fee income items.
- $5.7 million, or 12.6%, decrease in fee share revenue.
- $3.5 million, or 28%, decrease in gain on sale of loans.

The decrease in noninterest expense from the year-ago period reflected:

- $9.6 million, or 4%, decrease in personnel expenses in the branch network primarily related to branch consolidations and expense initiatives.
- $9.0 million, or 20%, reduction in marketing expense.
- $3.0 million, or 49%, reduction in professional services.

Partially offset by:

- $15.9 million increase in expenses related to the continued expansion of our Giant Eagle and Meijer In-stores branch network, and the development of our credit card product.

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Regional and Commercial Banking

Table 41 Key Performance Indicators for Regional and Commercial Banking

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2013**	2012	Amount	Percent
Net interest income	**$ 206,512**	$ 202,116	$ 4,396	2%
Provision for credit losses	**34,838**	42,542	(7,704)	(18)
Noninterest income	**106,349**	100,724	5,625	6
Noninterest expense	**163,232**	148,219	15,013	10
Provision for income taxes	**40,177**	39,228	949	2
Net income	**$ 74,614**	$ 72,851	$ 1,763	2%
Number of employees (full-time equivalent)	**704**	710	(6)	(1)%
Total average assets *(in millions)*	**$ 11,873**	$ 10,850	$ 1,023	9
Total average loans/leases *(in millions)*	**11,064**	9,969	1,095	11
Total average deposits *(in millions)*	**5,697**	5,056	641	13
Net interest margin	**2.60%**	2.79%	(0.19)%	(7)
NCOs	**$ (6,267)**	$ 25,688	$ (31,955)	(124)
NCOs as a% of average loans and leases	**(0.08)%**	0.34%	(0.42)%	(124)
Return on average common equity	**9.5**	11.3	(1.8)	(16)

2013 First Nine Months vs. 2012 First Nine Months

Regional and Commercial Banking reported net income of $74.6 million in the first nine-month period of 2013. This was an increase of $1.8 million, or 2%, compared to the year-ago period. The increase in net income reflected a combination of factors described below.

The increase in net interest income from the year-ago period reflected:

$1.1 billion, or 11%, increase in total average loans and leases.

$0.6 billion, or 13%, increase in average total deposits.

Partially offset by:

19 basis point decrease in the net interest margin due to compressed deposit spreads resulting from declining rates and reduced funds transfer prices rates, partially offset by a small increase on the commercial loan spread.

The increase in total average loans and leases from the year-ago period reflected:

$0.4 billion, or 20%, increase in the equipment finance portfolio average balance, which reflected our focus on developing vertical strategies in business aircraft, rail industry, lender finance, and syndications.

$0.4 billion, or 39%, increase in the healthcare portfolio average balance due to strategic focus on the banking needs of the healthcare industry, specifically targeting alternate site real estate, seniors real estate, medical technology, community hospitals, metro hospitals, and health care services.

$0.2 billion, or 5%, in the middle market portfolio average balance primarily in our major metro markets overcoming a $0.3 billion or 7% reduction in the funded balances of lines of credit due to a reduction in the average utilization rate.

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Partially offset by:

$0.2 billion, or 42%, decrease in commercial loans managed by SAD, which reflected improved credit quality in the portfolio.

The increase in total average deposits from the year-ago period reflected:

$0.6 billion, or 13%, increase in core deposits, which primarily reflected a $0.3 billion increase in noninterest-bearing demand deposits. Regional and Commercial Banking initiated a strategic focus to gain a deeper share of wallet with certain key relationships. This focus was specifically targeted to liquidity solutions for these customers and resulted in significant deposit growth. Middle market accounts, such as not-for-profit universities and healthcare, contributed $0.5 billion of the balance growth, while large corporate accounts contributed $0.1 billion.

The decrease in the provision for credit losses from the year-ago period reflected:

A continued improvement in the credit quality of the portfolio, as evidenced by a 42 basis point reduction in NCOs and a $34 million decline in NALs.

Partially offset by:

A 2013 third quarter increase in provision expense, as a result of our enhanced commercial risk rating system that increases the granularity of the risk ratings resulting in an increase in the portfolio risk rating profile, as well as an overall net increase in the exposure at default assumption included in the AULC component of our allowance calculation. However, there was a net reduction in loss given default rates within the C&I portfolio due to the incorporation of current collateral values in the risk determination process.

The increase in noninterest income from the year-ago period reflected:

$6.8 million, or 31%, increase in commitment and other loan fees primarily reflecting increased syndications activity.

$3.3 million, or 630%, increase in equipment finance fee income primarily driven by an increase in equipment lease termination income attributed to continued growth in the portfolio.

Partially offset by:

$3.1 million, or 10%, decrease in deposit service charge income and other Treasury Management related revenue reflecting the impact of earnings credits by our customers.

$1.3 million, or 4%, decrease in capital markets related income attributed to a $2.2 million, or 13%, decrease in sales of customer interest rate protection products, partially offset by a $0.8 million or 10% increase in foreign exchange revenue.

The increase in noninterest expense from the year-ago period reflected:

- $10.8 million, or 14%, increase in personnel costs, primarily attributable to our strategic investments in our core footprint markets, vertical strategies, and product capabilities.

- $4.9 million, or 28%, increase in allocated overhead.

- $2.6 million, or 41%, increase in outside data processing and other services, primarily attributed to Treasury Management products and services, such as the new Commercial Card product implemented in 2013.

Partially offset by:

- $1.7 million, or 19%, decrease in credit quality related expenses reflecting the continued improvement in the commercial loan portfolio as evidenced by a 42% reduction in the average balance of the SAD portfolio compared to the year ago period.

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Automobile Finance and Commercial Real Estate

Table 42 Key Performance Indicators for Automobile Finance and Commercial Real Estate

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2013**	2012	Amount	Percent
Net interest income	**$ 265,733**	$ 266,765	$ (1,032)	(0)%
Provision (reduction in allowance) for credit losses	**(82,381)**	(61,030)	21,351	35
Noninterest income	**23,877**	55,018	(31,141)	(57)
Noninterest expense	**112,440**	115,802	(3,362)	(3)
Provision for income taxes	**90,843**	93,454	(2,611)	(3)
Net income	**$ 168,708**	$ 173,557	$ (4,849)	(3)%
Number of employees (full-time equivalent)	**271**	270	1	0%
Total average assets *(in millions)*	**$ 12,414**	$ 12,548	$ (134)	(1)
Total average loans/leases *(in millions)*	**11,795**	11,435	360	3
Total average deposits *(in millions)*	**965**	869	96	11
Net interest margin	**2.85%**	2.81%	0.04%	1
NCOs	**$ 30,965**	$ 69,648	$ (38,683)	(56)
NCOs as a% of average loans and leases	**0.35%**	0.81%	(0.46)%	(57)
Return on average common equity	**40.9**	38.6	2.3	6

2013 First Nine Months vs. 2012 First Nine Months

AFCRE reported net income of $168.7 million in the first nine-month period of 2013. This was a decrease of $4.8 million, or 3%, compared to the year-ago period. The decrease in net income reflected a combination of factors described below.

The decrease in net interest income from the year ago period reflected:

- $0.6 billion, or 75%, decrease in average loans held for sale related to automobile loan securitization activities.

- $0.4 billion, or 3%, increase in average loans reflecting a $0.7 billion, or 15%, decrease in commercial real estate loans offset by a $0.9 billion, or 19%, increase in automobile loans and a $0.2 billion, or 17%, increase in automobile floor plan loans.

- 4 basis point increase in the net interest margin. This increase primarily reflected purchase accounting adjustments related to certain acquired commercial and commercial real estate loan portfolios, as well as the continuation of our risk-based pricing strategies in the CRE portfolio and maintaining our pricing discipline on automobile loan originations.

The increase in the reduction in allowance for credit losses from the year-ago period reflected:

- A $38.7 million decrease in net charge-offs primarily due to a net overall improvement in the real estate market. The market improvement is reflected in both the number of defaults and the LGD rates, which are driven primarily by real estate recovery rates. Under our enhanced reserve methodology, these rates are now applied on a more granular basis based on type of collateral securing the loan and more fully incorporate the LTV position in the collateral.

Partially offset by:

A $17.3 million reduction in the levels of reserve releases associated with declines in non-performing loans. During the first nine month period of 2013, NALs declined by $35.0 million as compared to $91.0 million in the year ago period.

The decrease in noninterest income from the year-ago period reflected:

$24.9 million, or 100%, decrease in gains on sales of loans resulting from the securitization and sale of $1.5 billion of indirect auto loans during the first nine months of 2012, with no similar transactions occurring in 2013.

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$6.8 million, or 78%, decrease in operating lease income resulting from the continued runoff of that portfolio, as we exited that business at the end of 2008.

The decrease in noninterest expense from the year-ago period reflected:

$5.2 million, or 78%, decrease in operating lease expense resulting from the continued runoff of that portfolio.

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Wealth Advisors, Government Finance, and Home Lending

Table 43 Key Performance Indicators for Wealth Advisors, Government Finance, and Home Lending

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2013**	2012	Amount	Percent
Net interest income	**$ 129,392**	$ 143,396	$ (14,004)	(10)%
Provision for credit losses	**12,063**	23,185	(11,122)	(48)
Noninterest income	**234,493**	250,370	(15,877)	(6)
Noninterest expense	**276,856**	279,988	(3,132)	(1)
Provision for income taxes	**26,238**	31,708	(5,470)	(17)
Net income	**$ 48,728**	$ 58,885	$ (10,157)	(17)%
Number of employees (full-time equivalent)	**2,079**	2,089	(10)	%
Total average assets *(in millions)*	**$ 7,496**	$ 7,584	$ (88)	(1)
Total average loans/leases *(in millions)*	**5,825**	5,974	(149)	(2)
Total average deposits *(in millions)*	**9,711**	9,656	55	1
Net interest margin	**1.76%**	1.87%	(0.11)%	(6)
NCOs	**$ 18,989**	$ 32,874	$ (13,885)	(42)
NCOs as a% of average loans and leases	**0.43%**	0.73%	(0.30)%	(41)
Return on average common equity	**9.1**	10.6	(1.5)	(14)
Mortgage banking origination volume (in millions)	**$ 3,625**	$ 3,672	$ (47)	(1)
Noninterest income shared with other business segments[(1)]	**31,408**	35,281	(3,873)	(11)
Total assets under management *(in billions) eop*	**17.0**	15.5	1.5	10
Total trust assets *(in billions) eop*	**78.7**	66.1	12.6	19

(1) Amount is not included in noninterest income reported above.
eop End of Period.

2013 First Nine Months vs. 2012 First Nine Months

WGH reported net income of $48.8 million in the first nine-month period of 2013. This was a decrease of $10.2 million, or 17%, when compared to the year-ago period. The decrease in net income reflected a combination of factors described below.

The decrease in net interest income from the year-ago period reflected:

11 basis point decrease in the net interest margin, primarily due to compressed deposit margins resulting from declining rates and reduced FTP rates.

$0.1 billion, or 2%, decrease in average total loans and leases.

Partially offset by:

$0.1 billion, or 1%, increase in average total deposits.

The decrease in provision for credit losses reflected:

$29.7 million, or 11%, decrease in delinquencies.

$14.0 million, or 9%, decrease in classified assets, which includes a small number of large balance loans.

$13.9 million, or 42%, decline in NCOs.

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The decrease in noninterest income from the year-ago period reflected:

- $24.7 million, or 23%, decrease in mortgage banking income due to a higher percentage of mortgages retained on the balance sheet and narrower spread on production.

Partially offset by:

- $5.5 million, or 71%, increase in other income, primarily due to a gain on sale of certain Low Income Housing Tax Credit investments.
- $1.2 million, or 18%, increase in service charges on deposit accounts.

The decrease in noninterest expense from the year-ago period reflected:

- $2.3 million, or 9%, decrease in outside data processing and other services expense.
- $2.2 million, or 4%, decrease in other expenses, primarily due lower mortgage repurchase expense.

Partially offset by:

- $4.0 million, or 3%, increase in personnel costs.

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ADDITIONAL DISCLOSURES

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including certain plans, expectations, goals, projections, and statements, which are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as expect, anticipate, believe, intend, estimate, plan, target, goal, or similar expressions, or future or conditional verbs such as will, may, might, should, would, could, or similar variations. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995.

While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: (1) worsening of credit quality performance due to a number of factors such as the underlying value of collateral that could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected; (2) changes in general economic, political, or industry conditions; uncertainty in U.S. fiscal and monetary policy, including the interest rate policies of the Federal Reserve Board; volatility and disruptions in global capital and credit markets; (3) movements in interest rates; (4) competitive pressures on product pricing and services; (5) success, impact, and timing of our business strategies, including market acceptance of any new products or services implementing our Fair Play banking philosophy; (6) changes in accounting policies and principles and the accuracy of our assumptions and estimates used to prepare our financial statements; (7) extended disruption of vital infrastructure; (8) the final outcome of significant litigation; (9) the nature, extent, timing, and results of governmental actions, examinations, reviews, reforms, regulations, and interpretations, including those related to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Basel III regulatory capital reforms, as well as those involving the OCC, Federal Reserve, and CFPB; and (10) the outcome of judicial and regulatory decisions regarding practices in the residential mortgage industry, including among other things the processes followed for foreclosing residential mortgages. Additional factors that could cause results to differ materially from those described above can be found in our 2012 Annual Report on Form 10-K and documents subsequently filed by us with the Securities and Exchange Commission.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. We assume no obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

Non-Regulatory Capital Ratios

In addition to capital ratios defined by banking regulators, the Company considers various other measures when evaluating capital utilization and adequacy, including:

- Tangible common equity to tangible assets,
- Tier 1 common equity to risk-weighted assets using Basel I and Basel III definitions, and
- Tangible common equity to risk-weighted assets using Basel I definition.

These non-regulatory capital ratios are viewed by management as useful additional methods of reflecting the level of capital available to withstand unexpected market conditions. Additionally, presentation of these ratios allows readers to compare the Company s capitalization to other financial services companies. These ratios differ from capital ratios defined by banking regulators principally in that the numerator excludes preferred securities, the nature and extent of which varies among different financial services companies. These ratios are not defined in Generally Accepted Accounting Principles (GAAP) or federal banking regulations. As a result, these non-regulatory capital ratios disclosed by the Company may be considered non-GAAP financial measures.

Because there are no standardized definitions for these non-regulatory capital ratios, the Company s calculation methods may differ from those used by other financial services companies. Also, there may be limits in the usefulness of these measures to investors. As a result, the Company

encourages readers to consider the consolidated financial statements and other financial information contained in this Form 10-Q in their entirety, and not to rely on any single financial measure. Basel III Tier 1 common capital ratio estimates are based on management s current interpretation, expectations, and understanding of the final U.S. Basel III rules adopted by the Federal Reserve Board and released on July 2, 2013.

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Risk Factors

Information on risk is discussed in the Risk Factors section included in Item 1A of our 2012 Form 10-K. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion of this report.

Critical Accounting Policies and Use of Significant Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to establish critical accounting policies and make accounting estimates, assumptions, and judgments that affect amounts recorded and reported in our financial statements. Note 1 of Notes to Consolidated Financial Statements included in our 2012 Form 10-K, as supplemented by this report, lists significant accounting policies we use in the development and presentation of our financial statements. This MD&A, the significant accounting policies, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors necessary for an understanding and evaluation of our company, financial position, results of operations, and cash flows.

An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements if a different amount within a range of estimates were used or if estimates changed from period to period. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce results that significantly differ from when those estimates were made.

Our most significant accounting estimates relate to our ACL, income taxes and deferred tax assets, and fair value measurements of investment securities, goodwill, pension, and other real estate owned. These significant accounting estimates and their related application are discussed in our 2012 Form 10-K.

Recent Accounting Pronouncements and Developments

Note 2 to the Unaudited Condensed Consolidated Financial Statements discusses new accounting pronouncements adopted during 2013 and the expected impact of accounting pronouncements recently issued but not yet required to be adopted. To the extent the adoption of new accounting standards materially affect financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section of this MD&A and the Notes to Unaudited Condensed Consolidated Financial Statements.

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Item 1: Financial Statements

Huntington Bancshares Incorporated

Condensed Consolidated Balance Sheets

(Unaudited)

(dollar amounts in thousands, except number of shares)	**2013 September 30,**	2012 December 31,
Assets		
Cash and due from banks	**$ 1,107,658**	$ 1,262,806
Interest-bearing deposits in banks	**63,100**	70,921
Trading account securities	**74,167**	91,205
Loans held for sale (includes $313,099 and $452,949 respectively, measured at fair value) (1)	**345,621**	764,309
Available-for-sale and other securities	**6,446,681**	7,566,175
Held-to-maturity securities	**2,236,121**	1,743,876
Loans and leases (includes $69,780 and $142,762 respectively, measured at fair value) (2)	**42,555,833**	40,728,425
Allowance for loan and lease losses	**(666,030)**	(769,075)
Net loans and leases	**41,889,803**	39,959,350
Bank owned life insurance	**1,633,247**	1,596,056
Premises and equipment	**639,632**	617,257
Goodwill	**444,268**	444,268
Other intangible assets	**103,512**	132,157
Accrued income and other assets	**1,664,441**	1,904,805
Total assets	**$ 56,648,251**	$ 56,153,185
Liabilities and shareholders equity		
Liabilities		
Deposits	**$ 46,564,046**	$ 46,252,683
Short-term borrowings	**660,932**	589,814
Federal Home Loan Bank advances	**333,352**	1,008,959
Other long-term debt	**904,668**	158,784
Subordinated notes	**1,111,598**	1,197,091
Accrued expenses and other liabilities	**1,112,076**	1,155,643
Total liabilities	**50,686,672**	50,362,974
Shareholders equity		
Preferred stock authorized 6,617,808 shares:		
Series A, 8.50% fixed rate, non-cumulative perpetual convertible preferred stock, par value of $0.01, and liquidation value per share of $1,000	**362,507**	362,507
Series B, floating rate, non-voting, non-cumulative perpetual preferred stock, par value of $0.01, and liquidation value per share of $1,000	**23,785**	23,785
Common stock	**8,315**	8,441
Capital surplus	**7,387,033**	7,475,149
Less treasury shares, at cost	**(10,893)**	(10,921)
Accumulated other comprehensive loss	**(230,767)**	(150,817)
Retained (deficit) earnings	**(1,578,401)**	(1,917,933)
Total shareholders equity	**5,961,579**	5,790,211

Total liabilities and shareholders equity	**$ 56,648,251**	$ 56,153,185
Common shares authorized (par value of $0.01)	**1,500,000,000**	1,500,000,000
Common shares issued	**831,516,546**	844,105,349
Common shares outstanding	**830,144,646**	842,812,709
Treasury shares outstanding	**1,371,900**	1,292,640
Preferred shares issued	**1,967,071**	1,967,071
Preferred shares outstanding	**398,007**	398,007

(1) Amounts represent loans for which Huntington has elected the fair value option.

(2) Amounts represent certain assets of a consolidated VIE for which Huntington has elected the fair value option.

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated

Condensed Consolidated Statements of Income

(Unaudited)

(dollar amounts in thousands, except per share amounts)	**Three Months Ended September 30, 2013**	2012	**Nine Months Ended September 30, 2013**	2012
Interest and fee income:				
Loans and leases	**$ 408,998**	$ 415,322	**$ 1,221,322**	$ 1,256,229
Available-for-sale and other securities				
Taxable	**35,280**	45,937	**114,004**	143,005
Tax-exempt	**2,677**	2,224	**8,052**	6,547
Held-to-maturity securities taxable	**12,219**	5,592	**31,835**	14,844
Other	**3,738**	14,712	**15,600**	30,643
Total interest income	**462,912**	483,787	**1,390,813**	1,451,268
Interest expense:				
Deposits	**27,655**	40,880	**89,281**	126,450
Short-term borrowings	**158**	544	**571**	1,685
Federal Home Loan Bank advances	**197**	135	**771**	690
Subordinated notes and other long-term debt	**10,050**	11,930	**26,231**	45,974
Total interest expense	**38,060**	53,489	**116,854**	174,799
Net interest income	**424,852**	430,298	**1,273,959**	1,276,469
Provision for credit losses	**11,400**	37,004	**65,714**	107,930
Net interest income after provision for credit losses	**413,452**	393,294	**1,208,245**	1,168,539
Service charges on deposit accounts	**72,918**	67,806	**201,810**	194,096
Mortgage banking	**23,621**	44,614	**102,528**	129,381
Trust services	**30,470**	29,689	**92,296**	90,509
Electronic banking	**24,282**	22,135	**68,340**	61,279
Brokerage	**16,532**	16,526	**54,073**	54,811
Insurance	**17,269**	17,792	**53,708**	54,051
Gain on sale of loans	**5,063**	6,591	**11,027**	37,492
Bank owned life insurance income	**13,740**	14,371	**42,603**	42,275
Capital markets fees	**12,825**	11,805	**32,888**	35,242
Net gains on sales of securities	**184**	4,285	**981**	5,512
Impairment losses recognized in earnings on available-for-sale securities	**(86)**	(116)	**(1,802)**	(1,606)
Other noninterest income	**33,685**	25,569	**92,915**	97,164
Total noninterest income	**250,503**	261,067	**751,367**	800,206
Personnel costs	**229,326**	247,709	**752,083**	734,241
Outside data processing and other services	**49,313**	49,880	**148,476**	140,087
Net occupancy	**35,591**	27,599	**93,361**	82,152
Equipment	**28,191**	25,950	**78,018**	76,367
Deposit and other insurance expense	**11,155**	15,534	**40,105**	52,003
Professional services	**12,487**	18,024	**29,020**	44,712
Marketing	**12,271**	20,178	**37,481**	58,319

Amortization of intangibles	**10,362**	11,431	**31,044**	34,902
OREO and foreclosure expense	**2,053**	4,982	**4,448**	14,038
Loss (Gain) on extinguishment of debt		1,782		(798)
Other noninterest expense	**32,587**	35,234	**97,958**	129,225
Total noninterest expense	**423,336**	458,303	**1,311,994**	1,365,248
Income before income taxes	**240,619**	196,058	**647,618**	603,497
Provision for income taxes	**62,132**	28,291	**166,700**	129,754
Net income	**178,487**	167,767	**480,918**	473,743
Dividends on preferred shares	**7,967**	7,983	**23,904**	24,016
Net income applicable to common shares	**$ 170,520**	$ 159,784	**$ 457,014**	$ 449,727
Average common shares basic	**830,398**	857,871	**835,410**	861,543
Average common shares diluted	**841,025**	863,588	**844,524**	866,768
Per common share:				
Net income basic	**$ 0.21**	$ 0.19	**$ 0.55**	$ 0.52
Net income diluted	**0.20**	0.19	**0.54**	0.52
Cash dividends declared	**0.05**	0.04	**0.14**	0.12
OTTI losses for the periods presented:				
Total OTTI losses	**$ (92)**	$ (253)	**$ (1,808)**	$ (1,822)
Noncredit-related portion of loss recognized in OCI	**6**	137	**6**	216
Impairment losses recognized in earnings on available-for-sale securities	**$ (86)**	$ (116)	**$ (1,802)**	$ (1,606)

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Net income	**$ 178,487**	$ 167,767	**$ 480,918**	$ 473,743
Other comprehensive income, net of tax:				
Unrealized gains on available-for-sale and other securities:				
Non-credit-related impairment recoveries on debt securities not expected to be sold	**1,934**	6,059	**9,742**	10,123
Unrealized net gains (losses) on available-for-sale and other securities arising during the period, net of reclassification for net realized gains	**4,594**	36,739	**(77,449)**	57,301
Total unrealized gains (losses) on available-for-sale and other securities	**6,528**	42,798	**(67,707)**	67,424
Unrealized gains (losses) on cash flow hedging derivatives	**15,332**	5,394	**(54,048)**	12,068
Change in accumulated unrealized losses for pension and other post-retirement obligations	**31,109**	3,243	**41,805**	9,729
Other comprehensive income (loss)	**52,969**	51,435	**(79,950)**	89,221
Comprehensive income	**$ 231,456**	$ 219,202	**$ 400,968**	$ 562,964

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated

Condensed Consolidated Statements of Changes in Shareholders Equity

(Unaudited)

	Preferred Stock									Accumulated		
			Series B							Other	Retained	
(All amounts in thousands,	Series A		Floating Rate		Common Stock		Capital	Treasury Stock		Comprehensive	Earnings	
except for per share amounts)	Shares	Amount	Shares	Amount	Shares	Amount	Surplus	Shares	Amount	Loss	(Deficit)	Total
Nine Months Ended September 30, 2012												
Balance, beginning of period	363	$ 362,507	35	$ 23,785	865,585	$ 8,656	$ 7,596,809	(1,178)	$ (10,255)	$ (173,763)	$ (2,389,639)	$ 5,418,100
Net income											473,743	473,743
Other comprehensive income (loss)										89,221		89,221
Repurchase of common stock					(10,168)	(102)	(65,201)					(65,303)
Cash dividends declared:												
Common ($0.12 per share)											(103,172)	(103,172)
Preferred Series A ($63.75 per share)											(23,110)	(23,110)
Preferred Series B ($25.54 per share)											(906)	(906)
Recognition of the fair value of share-based compensation							19,958					19,958
Other share-based compensation activity					1,331	13	(66)				(218)	(271)
Other							9	(85)	(562)		(103)	(656)
Balance, end of period	363	$ 362,507	35	$ 23,785	856,748	$ 8,567	$ 7,551,509	(1,263)	$ (10,817)	$ (84,542)	$ (2,043,405)	$ 5,807,604
Nine Months Ended September 30, 2013												
Balance, beginning of period	**363**	**$ 362,507**	**35**	**$ 23,785**	**844,105**	**$ 8,441**	**$ 7,475,149**	**(1,292)**	**$ (10,921)**	**$ (150,817)**	**$ (1,917,933)**	**$ 5,790,211**
Net income											**480,918**	**480,918**
Other comprehensive income (loss)										**(79,950)**		**(79,950)**
Repurchases of common stock					**(16,708)**	**(167)**	**(124,828)**					**(124,995)**
Cash dividends declared:												
Common ($0.14 per share)											**(116,648)**	**(116,648)**
Preferred Series A ($63.75 per share)											**(23,110)**	**(23,110)**
Preferred Series B ($22.37 per share)											**(794)**	**(794)**
Recognition of the fair value of share-based compensation							**27,643**					**27,643**
Other share-based compensation activity					**4,119**	**41**	**9,648**				**(817)**	**8,872**
Other							**(579)**	**(79)**	**28**		**(17)**	**(568)**
Balance, end of period	**363**	**$ 362,507**	**35**	**$ 23,785**	**831,516**	**$ 8,315**	**$ 7,387,033**	**(1,371)**	**$ (10,893)**	**$ (230,767)**	**$ (1,578,401)**	**$ 5,961,579**

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(dollar amounts in thousands)	**Nine Months Ended September 30, 2013**	2012
Operating activities		
Net income	$ **480,918**	473,743
Provision for credit losses	**65,714**	107,930
Depreciation and amortization	**210,311**	208,041
Share-based compensation expense	**27,643**	19,958
Change in deferred income taxes	**54,008**	151,449
Originations of loans held for sale	**(2,276,606)**	(2,852,920)
Principal payments on and proceeds from loans held for sale	**2,435,673**	2,724,950
Gain on sale of loans held for sale	**(42,963)**	(34,292)
Gain on early extinguishment of debt		(798)
Bargain purchase gain		(11,409)
Net gain on sales of securities	**(981)**	(5,512)
Impairment losses recognized in earnings on available-for-sale securities	**1,802**	1,606
Net change in:		
Trading account securities	**17,038**	(46,071)
Accrued income and other assets	**(36,823)**	473,451
Accrued expense and other liabilities	**(122,913)**	(535,448)
Net cash provided by (used for) operating activities	**813,294**	674,678
Investing activities		
Increase (decrease) in interest bearing deposits in banks	**103,781**	79,398
Net cash received from acquisition		40,310
Proceeds from:		
Maturities and calls of available-for-sale and other securities	**1,161,018**	1,389,995
Maturities of held-to-maturity securities	**195,369**	69,822
Sales of available-for-sale and other securities	**362,434**	830,528
Purchases of available-for-sale and other securities	**(830,992)**	(2,074,313)
Purchases of held-to-maturity securities	**(397,309)**	(734,740)
Net proceeds from sales of loans	**341,751**	1,799,770
Net loan and lease activity, excluding sales	**(2,091,670)**	(2,532,577)
Proceeds from sale of operating lease assets	**9,146**	23,634
Purchases of premises and equipment	**(89,100)**	(82,862)
Proceeds from sales of other real estate	**27,671**	26,832
Purchases of loans and leases	**(7,417)**	(451,829)
Other, net	**2,550**	3,497
Net cash provided by (used for) investing activities	**(1,212,768)**	(1,612,535)
Financing activities		
Increase (decrease) in deposits	**315,008**	2,749,959
Increase (decrease) in short-term borrowings	**155,454**	(291,267)
Maturity/redemption of subordinated notes	**(50,000)**	(202,895)
Proceeds from Federal Home Loan Bank advances	**2,600,000**	815,000
Maturity/redemption of Federal Home Loan Bank advances	**(3,275,648)**	(1,213,815)
Issuance of long-term debt	**748,727**	

Maturity/redemption of long-term debt	**(2,086)**	(1,044,348)
Dividends paid on preferred stock	**(23,910)**	(23,736)
Dividends paid on common stock	**(109,046)**	(103,400)
Repurchases of common stock	**(124,995)**	(65,303)
Other, net	**10,822**	(705)
Net cash provided by (used for) financing activities	**244,326**	619,490
Increase (decrease) in cash and cash equivalents	**(155,148)**	(318,367)
Cash and cash equivalents at beginning of period	**1,262,806**	1,115,968
Cash and cash equivalents at end of period	**$ 1,107,658**	$ 797,601
Supplemental disclosures:		
Income taxes paid (refunded)	**$ 99,538**	5,581
Interest paid	**116,945**	180,267
Non-cash activities		
Securities transferred to held-to-maturity from available-for-sale	**292,164**	278,748
Loans transferred to held-for-sale from portfolio	**50,344**	1,656,486
Loans transferred to portfolio from held-for-sale	**307,303**	
Dividends accrued, paid in subsequent quarter	**47,907**	47,824

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Huntington Bancshares Incorporated

Notes to Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying Unaudited Condensed Consolidated Financial Statements of Huntington reflect all adjustments consisting of normal recurring accruals which are, in the opinion of Management, necessary for a fair presentation of the consolidated financial position, the results of operations, and cash flows for the periods presented. These Unaudited Condensed Consolidated Financial Statements have been prepared according to the rules and regulations of the SEC and, therefore, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted. The Notes to Consolidated Financial Statements appearing in Huntington s 2012 Form 10-K, which include descriptions of significant accounting policies, as updated by the information contained in this report, should be read in conjunction with these interim financial statements.

For statement of cash flows purposes, cash and cash equivalents are defined as the sum of Cash and due from banks which includes amounts on deposit with the Federal Reserve and Federal funds sold and securities purchased under resale agreements.

In conjunction with applicable accounting standards, all material subsequent events have been either recognized in the Unaudited Condensed Consolidated Financial Statements or disclosed in the Notes to Unaudited Condensed Consolidated Financial Statements.

2. ACCOUNTING STANDARDS UPDATE

ASU 2011-11 Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The ASU amends Topic 210 by requiring additional improved information to be disclosed regarding financial instruments and derivative instruments that are offset in accordance with the conditions under ASC 210-20-45 or ASC 810-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for annual and interim reporting periods beginning on or after January 1, 2013. The disclosures required by the amendments were applied retrospectively for all comparative periods presented (See Note 15). The amendments did not have a material impact on Huntington s Condensed Consolidated Financial Statements.

ASU 2013-01 Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The ASU amends Update 2011-11 to clarify that the scope applies to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to master netting or similar arrangements. Other types of financial assets and liabilities subject to master netting or similar arrangements are not subject to the disclosure requirements in Update 2011-11. The amendments are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods (See Note 15). The amendments did not have a material impact on Huntington s Condensed Consolidated Financial Statements.

ASU 2013-02 Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The amendments are effective prospectively for reporting periods beginning after December 15, 2012 (See Note 9). The amendments did not have a material impact on Huntington s Condensed Consolidated Financial Statements

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

3. LOANS / LEASES AND ALLOWANCE FOR CREDIT LOSSES

Loans and leases for which Huntington has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified in the Unaudited Condensed Consolidated Balance Sheets as loans and leases. Except for loans which are accounted for at fair value, loans and leases are carried at the principal amount outstanding, net of unamortized deferred loan origination fees and costs and net of unearned income. At September 30, 2013, and December 31, 2012, the aggregate amount of these net unamortized deferred loan origination fees and costs and net unearned income was $172.5 million and $174.5 million, respectively.

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Loan and Lease Portfolio Composition

The following table provides a detailed listing of Huntington s loan and lease portfolio at September 30, 2013 and December 31, 2012:

(dollar amounts in thousands)	**September 30, 2013**	December 31, 2012
Loans and leases:		
Commercial and industrial	**$ 17,334,533**	$ 16,970,689
Commercial real estate	**4,872,725**	5,399,240
Automobile	**6,317,112**	4,633,820
Home equity	**8,346,685**	8,335,342
Residential mortgage	**5,306,964**	4,969,672
Other consumer	**377,814**	419,662
Loans and leases	**42,555,833**	40,728,425
Allowance for loan and lease losses	**(666,030)**	(769,075)
Net loans and leases	**$ 41,889,803**	$ 39,959,350

As shown in the table above, the primary loan and lease portfolios are: C&I, CRE, automobile, home equity, residential mortgage, and other consumer. For ACL purposes, these portfolios are further disaggregated into classes. The classes within each portfolio are as follows:

Portfolio	Class
Commercial and industrial	Owner occupied Purchased credit-impaired Other commercial and industrial
Commercial real estate	Retail properties Multi family Office Industrial and warehouse Purchased credit-impaired Other commercial real estate
Automobile	NA (1)
Home equity	Secured by first-lien Secured by junior-lien
Residential mortgage	Residential mortgage Purchased credit-impaired
Other consumer	Other consumer Purchased credit-impaired

(1) Not applicable. The automobile loan portfolio is not further segregated into classes.

Fidelity Bank acquisition

On March 30, 2012, Huntington acquired the loans of Fidelity Bank located in Dearborn, Michigan from the FDIC. Under the agreement, loans with a fair value of $523.9 million were transferred to Huntington. These loans were recorded at fair value in accordance with applicable accounting guidance, ASC 805. The fair values for the loans were estimated using discounted cash flow analyses using interest rates currently being offered for loans with similar terms (Level 3), and reflected an estimate of probable losses and the credit risk associated with the loans.

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Purchased Credit-Impaired Loans

Purchased loans with evidence of deterioration in credit quality since origination for which it is probable at acquisition that we will be unable to collect all contractually required payments are considered to be credit impaired. Purchased credit-impaired loans are initially recorded at fair value, which is estimated by discounting the cash flows expected to be collected at the acquisition date. Because the estimate of expected cash flows reflects an estimate of future credit losses expected to be incurred over the life of the loans, an allowance for credit losses is not recorded at the acquisition date. The excess of cash flows expected at acquisition over the estimated fair value, referred to as the accretable yield, is recognized in interest income over the remaining life of the loan, or pool of loans, on a level-yield basis. The difference between the contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. A subsequent decrease in the estimate of cash flows expected to be received on purchased credit-impaired loans generally results in the recognition of an allowance for credit losses. Subsequent increases in cash flows result in reversal of any nonaccretable difference (or allowance for loan and lease losses to the extent any has been recorded) with a positive impact on interest income subsequently recognized. The measurement of cash flows involves assumptions and judgments for interest rates, prepayments, default rates, loss severity, and collateral values. All of these factors are inherently subjective and significant changes in the cash flow estimates over the life of the loan can result.

The following table presents a rollforward of the accretable yield for three-month and nine-month periods ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Balance, beginning of period	**$ 32,705**	$ 24,761	**$ 23,251**	$
Impact of acquisition/purchase on March 30, 2012				27,586
Additions				
Accretion	**(4,605)**	(2,982)	**(11,705)**	(5,807)
Reclassification from nonaccretable difference	**1,152**		**17,706**	
Balance, end of period	**$ 29,252**	$ 21,779	**$ 29,252**	$ 21,779

At September 30, 2013, there was $2.2 million of allowance for loan losses recorded on the purchased impaired loan portfolio. The following table reflects the outstanding balance of all contractually required payments and carrying amounts of the acquired loans at September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
(dollar amounts in thousands)	**Ending Balance**	**Unpaid Balance**	Ending Balance	Unpaid Balance
Commercial and industrial	**$ 43,638**	**$ 63,023**	$ 54,472	$ 80,294
Commercial real estate	**89,246**	**172,618**	126,923	226,093
Residential mortgage	**2,287**	**3,619**	2,243	4,104
Other consumer	**127**	**223**	140	245
Total	**$ 135,298**	**$ 239,483**	$ 183,778	$ 310,736

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Loan and Lease Purchases and Sales

The following table summarizes significant portfolio loan and lease purchase and sale activity for the three-month and nine-month periods ended September 30, 2013 and 2012:

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Portfolio loans and leases purchased during the:							
Three-month period ended September 30, 2013	**$ 28,432**	**$**	**$**	**$**	**$**	**$**	**$ 28,432**
Nine-month period ended September 30, 2013	**$ 84,169**	**$**	**$**	**$**	**$**	**$**	**$ 84,169**
Three-month period ended September 30, 2012	$ 58,638	$	$	$	$	$	$ 58,638
Nine-month period ended September 30, 2012	$ 536,139	$ 378,122	$	$ 13,025	$ 62,324	$ 85	$ 989,695
Portfolio loans and leases sold or transferred to loans held for sale during the:							
Three-month period ended September 30, 2013	**$ 70,823**	**$**	**$**	**$**	**$ 49,931**	**$**	**$ 120,754**
Nine-month period ended September 30, 2013	**$ 153,889**	**$ 3,991**	**$**	**$**	**$ 205,335**		**$ 363,215**
Three-month period ended September 30, 2012	$ 65,768	$ 4,812	$	$	$	$	$ 70,580
Nine-month period ended September 30, 2012	$ 190,933	$ 52,554	$ 2,783,748	$	$ 179,621	$	$ 3,206,856

NALs and Past Due Loans

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date.

Any loan in any portfolio may be placed on nonaccrual status prior to the policies described below when collection of principal or interest is in doubt. When a borrower with debt is discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower, the loan is determined to be collateral dependent and placed on nonaccrual status.

All classes within the C&I and CRE portfolios (except for purchased credit-impaired loans) are placed on nonaccrual status at 90-days past due. Residential mortgage loans are placed on nonaccrual status at 150-days past due, with the exception of residential mortgages guaranteed by government organizations which continue to accrue interest at the rate guaranteed by the government agency. First-lien home equity loans are placed on nonaccrual status at 150-days past due. Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile and other consumer loans are generally charged-off when the loan is 120-days past due.

For all classes within all loan portfolios, when a loan is placed on nonaccrual status, any accrued interest income is reversed with current year accruals charged to interest income, and prior year amounts charged-off as a credit loss.

For all classes within all loan portfolios, cash receipts received on NALs are applied entirely against principal until the loan or lease has been collected in full, after which time any additional cash receipts are recognized as interest income. However, for secured non-reaffirmed debt in a Chapter 7 bankruptcy, payments are applied to principal and interest when the borrower has demonstrated a capacity to continue payment of the debt and collection of the debt is reasonably assured. For unsecured non-reaffirmed debt in a Chapter 7 bankruptcy where the carrying value has been fully charged-off, payments are recorded as loan recoveries.

Regarding all classes within the C&I and CRE portfolios, the determination of a borrower s ability to make the required principal and interest payments is based on an examination of the borrower s current financial statements, industry, management capabilities, and other qualitative measures. For all classes within the consumer loan portfolio, the determination of a borrower s ability to make the required principal and interest payments is based on multiple factors, including number of days past due and, in some instances, an evaluation of the borrower s financial condition. When, in Management s judgment, the borrower s ability to make required principal and interest payments resumes and collectability is no longer in doubt, the loan or lease is returned to accrual status. For these loans that have been returned to accrual status, cash receipts are applied according to the contractual terms of the loan.

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The following table presents NALs by loan class at September 30, 2013 and December 31, 2012:

(dollar amounts in thousands)	**2013 September 30,**	2012 December 31,
Commercial and industrial:		
Owner occupied	**$ 43,493**	$ 53,009
Other commercial and industrial	**24,541**	37,696
Total commercial and industrial	**$ 68,034**	$ 90,705
Commercial real estate:		
Retail properties	**$ 30,383**	$ 31,791
Multi family	**11,295**	19,765
Office	**18,461**	30,341
Industrial and warehouse	**4,959**	6,841
Other commercial real estate	**15,197**	38,390
Total commercial real estate	**$ 80,295**	$ 127,128
Automobile	**$ 5,972**	$ 7,823
Home equity:		
Secured by first-lien	**$ 30,347**	$ 27,091
Secured by junior-lien	**32,198**	32,434
Total home equity	**$ 62,545**	$ 59,525
Residential mortgage	**$ 116,260**	$ 122,452
Other consumer	**$**	$
Total nonaccrual loans	**$ 333,106**	$ 407,633

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The following table presents an aging analysis of loans and leases, including past due loans, by loan class at September 30, 2013 and December 31, 2012: (1)

	September 30, 2013						
	Past Due					Total Loans	90 or more days past due and
(dollar amounts in thousands)	30-59 Days	60-89 Days	90 or more days	Total	Current	and Leases	accruing
Commercial and industrial:							
Owner occupied	$ 7,858	$ 3,665	$ 30,621	$ 42,144	$ 4,349,691	$ 4,391,835	$
Purchased credit-impaired	402	774	19,217	20,393	23,245	43,638	19,217
Other commercial and industrial	11,235	3,297	10,109	24,641	12,874,419	12,899,060	
Total commercial and industrial	$ 19,495	$ 7,736	$ 59,947	$ 87,178	$ 17,247,355	$ 17,334,533	$ 19,217 (2)
Commercial real estate:							
Retail properties	$ 2,822	$ 2,022	$ 5,851	$ 10,695	$ 1,224,025	$ 1,234,720	$
Multi family	2,059	823	8,253	11,135	960,380	971,515	
Office	4,501	1,201	15,887	21,589	948,001	969,590	
Industrial and warehouse	3,049	1,194	2,729	6,972	520,784	527,756	
Purchased credit-impaired	2,545	3,109	44,026	49,680	39,566	89,246	44,026
Other commercial real estate	2,375	568	9,628	12,571	1,067,327	1,079,898	
Total commercial real estate	$ 17,351	$ 8,917	$ 86,374	$ 112,642	$ 4,760,083	$ 4,872,725	$ 44,026 (2)
Automobile	$ 34,808	$ 7,554	$ 3,683	$ 46,045	$ 6,271,067	$ 6,317,112	$ 3,599
Home equity:							
Secured by first-lien	$ 17,554	$ 7,830	$ 28,877	$ 54,261	$ 4,699,206	$ 4,753,467	$ 6,493
Secured by junior-lien	31,079	14,030	30,418	75,527	3,517,691	3,593,218	6,551
Total home equity	$ 48,633	$ 21,860	$ 59,295	$ 129,788	$ 8,216,897	$ 8,346,685	$ 13,044
Residential mortgage:							
Residential mortgage	$ 114,101	$ 37,628	$ 164,564	$ 316,293	$ 4,988,384	$ 5,304,677	$ 95,569 (3)
Purchased credit-impaired	106		178	284	2,003	2,287	179
Total residential mortgage	$ 114,207	$ 37,628	$ 164,742	$ 316,577	$ 4,990,387	$ 5,306,964	$ 95,748
Other consumer:							
Other consumer	$ 6,326	$ 1,430	$ 1,100	$ 8,856	$ 368,831	$ 377,687	$ 1,102
Purchased credit-impaired					127	127	
Total other consumer	$ 6,326	$ 1,430	$ 1,100	$ 8,856	$ 368,958	$ 377,814	$ 1,102
Total loans and leases	$ 240,820	$ 85,125	$ 375,141	$ 701,086	$ 41,854,747	$ 42,555,833	$ 176,736

	December 31, 2012						
	Past Due						90 or more days past due
(dollar amounts in thousands)	30-59 Days	60-89 Days	90 or more days	Total	Current	Total Loans and Leases	and accruing
Commercial and industrial:							
Owner occupied	$ 11,409	$ 6,302	$ 31,997	$ 49,708	$ 4,236,211	$ 4,285,919	$
Purchased credit-impaired	986	3,533	26,648	31,167	23,305	54,472	26,648
Other commercial and industrial	20,273	4,211	14,786	39,270	12,591,028	12,630,298	
Total commercial and industrial	$ 32,668	$ 14,046	$ 73,431	$ 120,145	$ 16,850,544	$ 16,970,689	$ 26,648(2)
Commercial real estate:							
Retail properties	$ 3,459	$ 4,203	$ 9,677	$ 17,339	$ 1,413,520	$ 1,430,859	$
Multi family	7,961	1,314	12,062	21,337	963,063	984,400	
Office	1,054	2,415	23,335	26,804	909,310	936,114	
Industrial and warehouse	6,597	118	5,433	12,148	584,754	596,902	
Purchased credit-impaired	556	1,751	56,660	58,967	67,956	126,923	56,660
Other commercial real estate	2,725	2,192	25,463	30,380	1,293,662	1,324,042	
Total commercial real estate	$ 22,352	$ 11,993	$ 132,630	$ 166,975	$ 5,232,265	$ 5,399,240	$ 56,660(2)
Automobile	$ 36,267	$ 7,803	$ 4,438	$ 48,508	$ 4,585,312	$ 4,633,820	$ 4,418
Home equity							
Secured by first-lien	$ 26,288	$ 9,992	$ 28,322	$ 64,602	$ 4,315,985	$ 4,380,587	$ 5,202
Secured by junior-lien	34,365	16,553	35,150	86,068	3,868,687	3,954,755	12,998
Total home equity	$ 60,653	$ 26,545	$ 63,472	$ 150,670	$ 8,184,672	$ 8,335,342	$ 18,200
Residential mortgage							
Residential mortgage	$ 118,582	$ 44,747	$ 164,035	$ 327,364	$ 4,640,065	$ 4,967,429	$ 92,925(4)
Purchased credit-impaired	58		609	667	1,576	2,243	609
Total residential mortgage	$ 118,640	$ 44,747	$ 164,644	$ 328,031	$ 4,641,641	$ 4,969,672	$ 93,534
Other consumer							
Other consumer	$ 7,431	$ 2,117	$ 1,672	$ 11,220	$ 408,302	$ 419,522	$ 1,672
Purchased credit-impaired		76		76	64	140	
Total other consumer	$ 7,431	$ 2,193	$ 1,672	$ 11,296	$ 408,366	$ 419,662	$ 1,672
Total loans and leases	$ 278,011	$ 107,327	$ 440,287	$ 825,625	$ 39,902,800	$ 40,728,425	$ 201,132

(1) NALs are included in this aging analysis based on the loan s past due status.
(2) All amounts represent accruing purchased impaired loans related to the FDIC-assisted Fidelity Bank acquisition. Under the applicable accounting guidance (ASC 310-30), the loans were recorded at fair value upon acquisition and remain in accruing status.
(3) Includes $81,770 thousand guaranteed by the U.S. government.
(4) Includes $90,816 thousand guaranteed by the U.S. government.

Allowance for Credit Losses

Huntington maintains two reserves, both of which reflect Management s judgment regarding the appropriate level necessary to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. The determination of the ACL requires significant estimates, including the timing and amounts of expected future cash flows on impaired loans and leases, consideration of current economic conditions, and historical loss experience pertaining to pools of homogeneous loans and leases, all of which may be susceptible to change.

The appropriateness of the ACL is based on Management s current judgments about the credit quality of the loan portfolio. These judgments consider on-going evaluations of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or other documented support. Further, Management evaluates the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet their financial obligations when quantifying our exposure to credit losses and assessing the appropriateness of our ACL at each reporting date. In addition to general economic conditions and the other factors described above,

additional factors also considered include: the impact of declining residential real estate values; the diversification of CRE loans; the development of new or expanded Commercial business segments such as healthcare, ABL, and energy, and the overall condition of the manufacturing industry. Also, the ACL assessment includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. Management s determinations regarding the appropriateness of the ACL are reviewed and approved by the Company s board of directors.

The ALLL consists of two components: (1) the transaction reserve, which includes a loan level allocation per ASC 310-10, specific reserves related to loans considered to be impaired, and loans involved in troubled debt restructurings allocated per ASC 310-40, and (2) the general reserve. The transaction reserve component includes both (1) an estimate of loss based on pools of commercial and consumer loans and leases with similar characteristics and (2) an estimate of loss based on an impairment review of each impaired C&I and CRE loan greater than $1.0 million. For the C&I and CRE portfolios, the estimate of loss based on pools of loans and leases with similar characteristics is made by applying a PD factor and a LGD factor to each individual loan based on a continuously updated loan grade, using a standardized loan grading system. The PD factor and an LGD factor are determined for each loan grade using statistical models based on historical performance data. The PD factor considers on-going reviews of the financial

performance of the specific borrower, including cash flow, debt-service coverage ratio, earnings power, debt level, and equity position, in conjunction with an assessment of the borrower s industry and future prospects. The LGD factor considers analysis of the type of collateral and the relative LTV ratio. These reserve factors are developed based on credit migration models that track historical movements of loans between loan ratings over time and a combination of long-term average loss experience of our own portfolio and external industry data using a 24-month emergence period.

In the case of more homogeneous portfolios, such as automobile loans, home equity loans, and residential mortgage loans, the determination of the transaction reserve also incorporates PD and LGD factors. The estimate of loss is based on pools of loans and leases with similar characteristics. The PD factor considers current credit scores unless the account is delinquent, in which case a higher PD factor is used. The credit score provides a basis for understanding the borrowers past and current payment performance, and this information is used to estimate expected losses over the 12-month emergence period. The performance of first-lien loans ahead of our junior-lien loans is available to use as part of our updated score process. The LGD factor considers analysis of the type of collateral and the relative LTV ratio. Credit scores, models, analyses, and other factors used to determine both the PD and LGD factors are updated frequently to capture the recent behavioral characteristics of the subject portfolios, as well as any changes in loss mitigation or credit origination strategies, and adjustments to the reserve factors are made as required. Models utilized in the ALLL estimation process are subject to the Company s model validation policies.

The general reserve consists of the economic reserve and risk-profile reserve components. The economic reserve component considers the potential impact of changing market and economic conditions on portfolio performance. The risk-profile component considers items unique to our structure, policies, processes, and portfolio composition, as well as qualitative measurements and assessments of the loan portfolios including, but not limited to, management quality, concentrations, portfolio composition, industry comparisons, and internal review functions.

During the quarter, we made enhancements to our commercial risk rating system used for assessing credit risk when determining our ACL. The enhancements made during the quarter provide greater granularity in overall corporate risk ratings and incorporate a broader set of financial metrics in the determination of the PD and LGD. The PD and LGD factors combine to represent the transaction reserve component for a given credit exposure.

In conjunction with the enhancements to our commercial risk rating system noted above, we enhanced our process for incorporating risk inherent in the economic and risk profile components of our general reserve, which is discussed more fully in Note 1 of Form 10-K. These enhancements allow Huntington to better reflect the credit exposure inherent in our portfolio, as well as overall risks in the economic environment. These changes did not have a material impact on our overall ACL.

The estimate for the AULC is determined using the same procedures and methodologies as used for the ALLL. The loss factors used in the AULC are the same as the loss factors used in the ALLL while also considering a historical utilization of unused commitments. The AULC is reflected in accrued expenses and other liabilities in the Unaudited Condensed Consolidated Balance Sheet.

During a 2013 third quarter review of our consumer portfolios, we identified additional loans associated with borrowers who had filed Chapter 7 bankruptcy and had not reaffirmed their debt, thus meeting the definition of collateral dependent per OCC guidance, and as such, considered a concession, placed on nonaccrual status, and written down to collateral value, less anticipated selling costs. As a result of our review of the existing consumer portfolios, NCOs increased by $13.1 million and the ALLL increased by $6.0 million based on our estimated exposure. We will finalize the review during the 2013 fourth quarter.

The ACL is increased through a provision for credit losses that is charged to earnings, based on Management s quarterly evaluation of the factors previously mentioned, and is reduced by charge-offs, net of recoveries, and the ACL associated with securitized or sold loans. There were no material changes in assumptions or estimation techniques compared with prior periods that impacted the determination of the current period s ALLL and AULC.

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The following table presents ALLL and AULC activity by portfolio segment for the three-month and nine-month periods ended September 30, 2013 and 2012:

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Three-month period ended September 30, 2013:							
ALLL balance, beginning of period	$ 233,679	$ 255,849	$ 39,990	$ 115,626	$ 63,802	$ 24,130	$ 733,076
Loan charge-offs	(9,226)	(22,759)	(6,000)	(30,206)	(7,435)	(9,626)	(85,252)
Recoveries of loans previously charged-off	7,565	10,196	3,279	3,031	2,646	2,793	29,510
Provision for loan and lease losses	30,030	(78,764)	(10,182)	35,617	(7,691)	19,756	(11,234)
Allowance for loans sold or transferred to loans held for sale					(70)		(70)
ALLL balance, end of period	$ 262,048	$ 164,522	$ 27,087	$ 124,068	$ 51,252	$ 37,053	$ 666,030
AULC balance, beginning of period	$ 37,471	$ 4,408	$	$ 1,688	$ 6	$ 650	$ 44,223
Provision for unfunded loan commitments and letters of credit	13,621	8,394		59	7	553	22,634
AULC balance, end of period	$ 51,092	$ 12,802	$	$ 1,747	$ 13	$ 1,203	$ 66,857
ACL balance, end of period	$ 313,140	$ 177,324	$ 27,087	$ 125,815	$ 51,265	$ 38,256	$ 732,887
Nine-month period ended September 30, 2013:							
ALLL balance, beginning of period	$ 241,051	$ 285,369	$ 34,979	$ 118,764	$ 61,658	$ 27,254	$ 769,075
Loan charge-offs	(31,220)	(59,320)	(16,907)	(74,504)	(25,028)	(25,653)	(232,632)
Recoveries of loans previously charged-off	24,656	31,596	10,129	12,692	5,471	5,869	90,413
Provision for loan and lease losses	27,561	(93,123)	(1,114)	67,116	9,485	29,583	39,508
Allowance for loans sold or transferred to loans held for sale					(334)		(334)
ALLL balance, end of period	$ 262,048	$ 164,522	$ 27,087	$ 124,068	$ 51,252	$ 37,053	$ 666,030
AULC balance, beginning of period	$ 33,868	$ 4,740	$	$ 1,356	$ 3	$ 684	$ 40,651
Provision for unfunded loan commitments and letters of credit	17,224	8,062		391	10	519	26,206
AULC balance, end of period	$ 51,092	$ 12,802	$	$ 1,747	$ 13	$ 1,203	$ 66,857
ACL balance, end of period	$ 313,140	$ 177,324	$ 27,087	$ 125,815	$ 51,265	$ 38,256	$ 732,887

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(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Three-month period ended September 30, 2012:							
ALLL balance, beginning of period	$ 280,548	$ 305,391	$ 30,217	$ 135,562	$ 78,015	$ 29,913	$ 859,646
Loan charge-offs	(22,522)	(26,513)	(7,925)	(48,710)	(17,644)	(8,872)	(132,186)
Recoveries of loans previously charged-off	9,499	9,139	3,906	2,114	764	1,669	27,091
Provision for loan and lease losses	(10,444)	(7,641)	7,187	33,639	5,809	5,869	34,419
Allowance for loans sold or transferred to loans held for sale			(104)		276		172
ALLL balance, end of period	$ 257,081	$ 280,376	$ 33,281	$ 122,605	$ 67,220	$ 28,579	$ 789,142
AULC balance, beginning of period	$ 42,844	$ 5,225	$	$ 2,190	$ 4	$ 715	$ 50,978
Provision for unfunded loan commitments and letters of credit	3,263	(125)		(513)	(1)	(39)	2,585
AULC balance, end of period	$ 46,107	$ 5,100	$	$ 1,677	$ 3	$ 676	$ 53,563
ACL balance, end of period	$ 303,188	$ 285,476	$ 33,281	$ 124,282	$ 67,223	$ 29,255	$ 842,705
Nine-month period ended September 30, 2012:							
ALLL balance, beginning of period	$ 275,367	$ 388,706	$ 38,282	$ 143,873	$ 87,194	$ 31,406	$ 964,828
Loan charge-offs	(79,746)	(83,662)	(20,534)	(97,058)	(41,292)	(25,946)	(348,238)
Recoveries of loans previously charged-off	22,550	26,604	12,988	5,688	3,056	5,020	75,906
Provision for loan and lease losses	38,910	(51,272)	7,784	70,102	19,200	18,099	102,823
Allowance for loans sold or transferred to loans held for sale			(5,239)		(938)		(6,177)
ALLL balance, end of period	$ 257,081	$ 280,376	$ 33,281	$ 122,605	$ 67,220	$ 28,579	$ 789,142
AULC balance, beginning of period	$ 39,658	$ 5,852	$	$ 2,134	$ 1	$ 811	$ 48,456
Provision for unfunded loan commitments and letters of credit	6,449	(752)		(457)	2	(135)	5,107
AULC balance, end of period	$ 46,107	$ 5,100	$	$ 1,677	$ 3	$ 676	$ 53,563
ACL balance, end of period	$ 303,188	$ 285,476	$ 33,281	$ 124,282	$ 67,223	$ 29,255	$ 842,705

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment. Additionally, discharged, collateral dependent non-reaffirmed debt in Chapter 7 bankruptcy filings will result in a charge-off to estimated collateral value, less anticipated selling costs.

C&I and CRE loans are either charged-off or written down to net realizable value at 90-days past due. Automobile loans and other consumer loans are charged-off at 120-days past due. First-lien and junior-lien home equity loans are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due and 120-days past due, respectively. Residential mortgages are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due.

Credit Quality Indicators

To facilitate the monitoring of credit quality for C&I and CRE loans, and for purposes of determining an appropriate ACL level for these loans, Huntington utilizes the following categories of credit grades:

Pass = Higher quality loans that do not fit any of the other categories described below.

OLEM = The credit risk may be relatively minor yet represent a risk given certain specific circumstances. If the potential weaknesses are not monitored or mitigated, the loan may weaken or inadequately protect Huntington s position in the future. For these reasons, Huntington considers the loans to be potential problem loans.

Substandard = Inadequately protected loans by the borrower s ability to repay, equity, and/or the collateral pledged to secure the loan. These loans have identified weaknesses that could hinder normal repayment or collection of the debt. It is likely Huntington will sustain some loss if any identified weaknesses are not mitigated.

Doubtful = Loans that have all of the weaknesses inherent in those loans classified as Substandard, with the added elements of the full collection of the loan is improbable and that the possibility of loss is high.

The categories above, which are derived from standard regulatory rating definitions, are assigned upon initial approval of the loan or lease and subsequently updated as appropriate.

Commercial loans categorized as OLEM, Substandard, or Doubtful are considered Criticized loans. Commercial loans categorized as Substandard or Doubtful are also considered Classified loans.

For all classes within all consumer loan portfolios, each loan is assigned a specific PD factor that is partially based on the borrower s most recent credit bureau score (FICO), which we update quarterly. A FICO credit bureau score is a credit score developed by Fair Isaac Corporation based on data provided by the credit bureaus. The FICO credit bureau score is widely accepted as the standard measure of consumer credit risk used by lenders, regulators, rating agencies, and consumers. The higher the FICO credit bureau score, the higher likelihood of repayment and therefore, an indicator of higher credit quality.

Huntington assesses the risk in the loan portfolio by utilizing numerous risk characteristics. The classifications described above, and also presented in the table below, represent one of those characteristics that are closely monitored in the overall credit risk management processes. The table below shows an increase in FICO scores less than 650 for the automobile portfolio, and to a lesser degree, the home equity and residential mortgage portfolios. These increases are proportional to growth in the portfolio and do not reflect a deterioration in asset quality for the portfolios, as other risk characteristics mitigate any increased level of risk associated with the FICO score distribution.

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The following table presents each loan and lease class by credit quality indicator at September 30, 2013 and December 31, 2012:

	September 30, 2013				
	Credit Risk Profile by UCS classification				
(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial:					
Owner occupied	**$ 4,035,048**	**$ 169,877**	**$ 184,075**	**$ 2,835**	**$ 4,391,835**
Purchased credit-impaired	**5,123**	**1,970**	**35,635**	**910**	**43,638**
Other commercial and industrial	**12,297,970**	**213,288**	**383,695**	**4,107**	**12,899,060**
Total commercial and industrial	**$ 16,338,141**	**$ 385,135**	**$ 603,405**	**$ 7,852**	**$ 17,334,533**
Commercial real estate:					
Retail properties	**$ 1,103,417**	**$ 32,465**	**$ 98,838**	**$**	**$ 1,234,720**
Multi family	**916,230**	**14,715**	**40,456**	**114**	**971,515**
Office	**862,359**	**20,884**	**85,475**	**872**	**969,590**
Industrial and warehouse	**481,288**	**17,668**	**28,800**		**527,756**
Purchased credit-impaired	**11,988**	**5,941**	**71,317**		**89,246**
Other commercial real estate	**986,227**	**17,854**	**75,518**	**299**	**1,079,898**
Total commercial real estate	**$ 4,361,509**	**$ 109,527**	**$ 400,404**	**$ 1,285**	**$ 4,872,725**

	Credit Risk Profile by FICO score (1)				
	750+	650-749	<650	Other (2)	Total
Automobile	**$ 2,836,051**	**$ 2,427,360**	**$ 874,804**	**$ 178,897**	**$ 6,317,112**
Home equity:					
Secured by first-lien	**$ 2,946,368**	**$ 1,413,536**	**$ 316,154**	**$ 77,409**	**$ 4,753,467**
Secured by junior-lien	**1,827,991**	**1,264,222**	**429,749**	**71,256**	**3,593,218**
Total home equity	**$ 4,774,359**	**$ 2,677,758**	**$ 745,903**	**$ 148,665**	**$ 8,346,685**
Residential mortgage:					
Residential mortgage	**$ 2,772,000**	**$ 1,733,926**	**$ 714,181**	**$ 84,570**	**$ 5,304,677**
Purchased credit-impaired	**428**	**1,130**	**729**		**2,287**
Total residential mortgage	**$ 2,772,428**	**$ 1,735,056**	**$ 714,910**	**$ 84,570**	**$ 5,306,964**
Other consumer:					
Other consumer	**$ 148,866**	**$ 146,839**	**$ 44,214**	**$ 37,768**	**$ 377,687**
Purchased credit-impaired		**89**	**38**		**127**
Total other consumer	**$ 148,866**	**$ 146,928**	**$ 44,252**	**$ 37,768**	**$ 377,814**

	December 31, 2012				
	Credit Risk Profile by UCS classification				
(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial:					
Owner occupied	$ 3,970,597	$ 108,731	$ 205,822	$ 769	$ 4,285,919
Purchased credit-impaired	1,663	6,555	46,254		54,472
Other commercial and industrial	12,146,017	145,111	337,805	1,365	12,630,298
Total commercial and industrial	$ 16,118,277	$ 260,397	$ 589,881	$ 2,134	$ 16,970,689
Commercial real estate:					
Retail properties	$ 1,184,987	$ 63,976	$ 181,896	$	$ 1,430,859
Multi family	902,616	24,098	57,548	138	984,400

Office	826,533	26,488	83,093		936,114
Industrial and warehouse	540,484	15,132	41,286		596,902
Purchased credit-impaired	10,052	18,085	98,786		126,923
Other commercial real estate	1,177,213	43,454	103,262	113	1,324,042
Total commercial real estate	$ 4,641,885	$ 191,233	$ 565,871	$ 251	$ 5,399,240

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	Credit Risk Profile by FICO score (1)				
	750+	650-749	<650	Other (2)	Total
Automobile	$ 2,233,439	$ 1,900,824	$ 682,518	$ 117,039	$ 4,933,820(3)
Home equity:					
Secured by first-lien	$ 2,618,888	$ 1,345,621	$ 357,019	$ 59,059	$ 4,380,587
Secured by junior-lien	2,046,143	1,375,636	491,226	41,750	3,954,755
Total home equity	$ 4,665,031	$ 2,721,257	$ 848,245	$ 100,809	$ 8,335,342
Residential mortgage					
Residential mortgage	$ 2,561,210	$ 1,673,485	$ 711,750	$ 20,984	$ 4,967,429
Purchased credit-impaired	373	1,303	567		2,243
Total residential mortgage	$ 2,561,583	$ 1,674,788	$ 712,317	$ 20,984	$ 4,969,672
Other consumer					
Other consumer	$ 169,792	$ 167,389	$ 59,815	$ 22,526	$ 419,522
Purchased credit-impaired		93	47		140
Total other consumer	$ 169,792	$ 167,482	$ 59,862	$ 22,526	$ 419,662

(1) Reflects currently updated customer credit scores.
(2) Reflects deferred fees and costs, loans in process, loans to legal entities, etc.
(3) Included $0.3 billion of loans reflected as loans held for sale related to an automobile securitization expected to be completed in 2013. During the 2013 second quarter, this amount was transferred from loans held for sale to the automobile portfolio based on Management s intent and ability to hold these loans for the foreseeable future.

Impaired Loans

For all classes within the C&I and CRE portfolios, all loans with an outstanding balance of $1.0 million or greater are evaluated on a quarterly basis for impairment. Generally, consumer loans within any class are not individually evaluated on a regular basis for impairment. All TDRs, regardless of the outstanding balance amount, are also considered to be impaired. Loans acquired with evidence of deterioration of credit quality since origination for which it is probable at acquisition that all contractually required payments will not be collected are also considered to be impaired.

Once a loan has been identified for an assessment of impairment, the loan is considered impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. This determination requires significant judgment and use of estimates, and the eventual outcome may differ significantly from those estimates.

When a loan in any class has been determined to be impaired, the amount of the impairment is measured using the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, the observable market price of the loan, or the fair value of the collateral, less anticipated selling costs, if the loan is collateral dependent. When the present value of expected future cash flows is used, the effective interest rate is the original contractual interest rate of the loan adjusted for any premium or discount. When the contractual interest rate is variable, the effective interest rate of the loan changes over time. A specific reserve is established as a component of the ALLL when a loan has been determined to be impaired. Subsequent to the initial measurement of impairment, if there is a significant change to the impaired loan s expected future cash flows, or if actual cash flows are significantly different from the cash flows previously estimated, Huntington recalculates the impairment and appropriately adjusts the specific reserve. Similarly, if Huntington measures impairment based on the observable market price of an impaired loan or the fair value of the collateral of an impaired collateral dependent loan, Huntington will adjust the specific reserve.

When a loan within any class is impaired, the accrual of interest income is discontinued unless the receipt of principal and interest is no longer in doubt. Interest income on TDRs is accrued when all principal and interest is expected to be collected under the post-modification terms. Cash receipts received on nonaccruing impaired loans within any class are generally applied entirely against principal until the loan has been collected in full, after which time any additional cash receipts are recognized as interest income. Cash receipts received on accruing impaired loans within any class are applied in the same manner as accruing loans that are not considered impaired.

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The following tables present the balance of the ALLL attributable to loans by portfolio segment individually and collectively evaluated for impairment and the related loan and lease balance at September 30, 2013 and December 31, 2012:

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
ALLL at September 30, 2013:							
Portion of ALLL balance:							
Attributable to purchased credit-impaired loans	**$ 1,190**	**$ 916**	**$**	**$**	**$ 57**	**$**	**$ 2,163**
Attributable to loans individually evaluated for impairment	**10,340**	**30,704**	**676**	**5,015**	**12,711**	**77**	**59,523**
Attributable to loans collectively evaluated for impairment	**250,518**	**132,902**	**26,411**	**119,053**	**38,484**	**36,976**	**604,344**
Total ALLL balance	**$ 262,048**	**$ 164,522**	**$ 27,087**	**$ 124,068**	**$ 51,252**	**$ 37,053**	**$ 666,030**
Loan and Lease Ending Balances at September 30, 2013:							
Portion of loan and lease ending balance:							
Attributable to purchased credit-impaired loans	**$ 43,638**	**$ 89,246**	**$**	**$**	**$ 2,287**	**$ 127**	**$ 135,298**
Individually evaluated for impairment	**115,590**	**268,406**	**36,953**	**165,025**	**378,334**	**959**	**965,267**
Collectively evaluated for impairment	**17,175,305**	**4,515,073**	**6,280,159**	**8,181,660**	**4,926,343**	**376,728**	**41,455,268**
Total loans and leases evaluated for impairment	**$ 17,334,533**	**$ 4,872,725**	**$ 6,317,112**	**$ 8,346,685**	**$ 5,306,964**	**$ 377,814**	**$ 42,555,833**

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
ALLL at December 31, 2012							
Portion of ALLL balance:							
Attributable to purchased credit-impaired loans	$	$	$	$	$	$	$
Attributable to loans individually evaluated for impairment	11,694	31,133	1,446	4,783	14,176	213	63,445
Attributable to loans collectively evaluated for impairment	229,357	254,236	33,533	113,981	47,482	27,041	705,630
Total ALLL balance:	$ 241,051	$ 285,369	$ 34,979	$ 118,764	$ 61,658	$ 27,254	$ 769,075
Loan and Lease Ending Balances at December 31, 2012							
Portion of loan and lease ending balances:							
Attributable to purchased credit-impaired loans	$ 54,472	$ 126,923	$	$	$ 2,243	$ 140	$ 183,778
Individually evaluated for impairment	119,535	298,891	43,607	117,532	374,526	2,657	956,748
Collectively evaluated for impairment	16,796,682	4,973,426	4,590,213	8,217,810	4,592,903	416,865	39,587,899
Total loans and leases evaluated for impairment	$ 16,970,689	$ 5,399,240	$ 4,633,820	$ 8,335,342	$ 4,969,672	$ 419,662	$ 40,728,425

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The following tables present by class the ending, unpaid principal balance, and the related ALLL, along with the average balance and interest income recognized only for loans and leases individually evaluated for impairment and purchased credit-impaired loans: (1), (2)

	September 30, 2013			Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
(dollar amounts in thousands)	Ending Balance	Unpaid Principal Balance (5)	Related Allowance	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
With no related allowance recorded:							
Commercial and industrial:							
Owner occupied	**$ 4,144**	**$ 4,185**	**$**	**$ 4,960**	**$ 42**	**$ 4,456**	**$ 126**
Purchased credit-impaired							
Other commercial and industrial	**18,204**	**24,912**		**14,254**	**168**	**12,389**	**473**
Total commercial and industrial	**$ 22,348**	**$ 29,097**	**$**	**$ 19,214**	**$ 210**	**$ 16,845**	**$ 599**
Commercial real estate:							
Retail properties	**$ 40,698**	**$ 42,255**	**$**	**$ 38,514**	**$ 557**	**$ 47,186**	**$ 1,867**
Multi family	**4,197**	**4,315**		**4,203**	**63**	**4,836**	**220**
Office	**9,155**	**13,819**		**9,183**	**313**	**13,168**	**845**
Industrial and warehouse	**7,107**	**8,228**		**9,282**	**129**	**11,467**	**478**
Purchased credit-impaired							
Other commercial real estate	**6,212**	**7,103**		**6,216**	**159**	**8,581**	**382**
Total commercial real estate	**$ 67,369**	**$ 75,720**	**$**	**$ 67,398**	**$ 1,221**	**$ 85,238**	**$ 3,792**
Automobile	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Home equity:							
Secured by first-lien	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Secured by junior-lien							
Total home equity	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Residential mortgage:							
Residential mortgage	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Purchased credit-impaired							
Total residential mortgage	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Other consumer							
Other consumer	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Purchased credit-impaired	**127**	**223**		**129**	**4**	**139**	**11**
Total other consumer	**$ 127**	**$ 223**	**$**	**$ 129**	**$ 4**	**$ 139**	**$ 11**
With an allowance recorded:							
Commercial and industrial: (3)							
Owner occupied	**$ 40,258**	**$ 47,148**	**$ 4,052**	**$ 39,656**	**$ 332**	**$ 42,155**	**$ 1,024**
Purchased credit-impaired	**43,638**	**63,023**	**1,190**	**46,942**	**1,485**	**50,421**	**3,775**
Other commercial and industrial	**52,984**	**86,121**	**6,288**	**61,563**	**886**	**62,320**	**2,510**
Total commercial and industrial	**$ 136,880**	**$ 196,292**	**$ 11,530**	**$ 148,161**	**$ 2,703**	**$ 154,896**	**$ 7,309**
Commercial real estate: (4)							
Retail properties	**$ 87,520**	**$ 115,601**	**$ 6,587**	**$ 67,209**	**$ 448**	**$ 58,928**	**$ 1,303**
Multi family	**13,733**	**14,425**	**1,891**	**13,646**	**159**	**15,295**	**490**
Office	**54,762**	**60,471**	**12,969**	**49,486**	**490**	**46,543**	**1,291**
Industrial and warehouse	**13,167**	**14,479**	**1,376**	**10,381**	**303**	**16,535**	**671**
Purchased credit-impaired	**89,246**	**172,618**	**916**	**97,719**	**3,038**	**110,124**	**7,721**
Other commercial real estate	**31,855**	**40,401**	**7,881**	**32,579**	**332**	**37,436**	**1,150**
Total commercial real estate	**$ 290,283**	**$ 417,995**	**$ 31,620**	**$ 271,020**	**$ 4,770**	**$ 284,861**	**$ 12,626**
Automobile	**$ 36,953**	**$ 38,513**	**$ 676**	**$ 38,732**	**$ 817**	**$ 40,555**	**$ 2,121**
Home equity:							
Secured by first-lien	**$ 95,268**	**$ 98,189**	**$ 1,940**	**$ 90,952**	**$ 1,062**	**$ 92,723**	**$ 2,953**

Secured by junior-lien	69,757	85,651	3,075	64,553	873	57,743	2,186
Total home equity	$ 165,025	$ 183,840	$ 5,015	$ 155,505	$ 1,935	$ 150,466	$ 5,139
Residential mortgage (6):							
Residential mortgage	$ 378,334	$ 3,420,179	$ 12,711	$ 356,855	$ 2,971	$ 365,148	$ 8,713
Purchased credit-impaired	2,287	3,619	57	2,169	78	2,232	198
Total residential mortgage	$ 380,621	$ 3,423,798	$ 12,768	$ 359,024	$ 3,049	$ 367,380	$ 8,911
Other consumer:							
Other consumer	$ 959	$ 959	$ 77	$ 2,171	$ 29	$ 2,378	$ 83
Purchased credit-impaired							
Total other consumer	$ 959	$ 959	$ 77	$ 2,171	$ 29	$ 2,378	$ 83

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(dollar amounts in thousands)	December 31, 2012 Ending Balance	December 31, 2012 Unpaid Principal Balance (5)	December 31, 2012 Related Allowance	Three Months Ended September 30, 2012 Average Balance	Three Months Ended September 30, 2012 Interest Income Recognized	Nine Months Ended September 30, 2012 Average Balance	Nine Months Ended September 30, 2012 Interest Income Recognized
With no related allowance recorded:							
Commercial and industrial:							
Owner occupied	$ 1,050	$ 1,091	$	$ 4,702	$ 1	$ 5,310	$ 61
Purchased credit-impaired	54,472	80,294		62,740	935	64,627	1,767
Other commercial and industrial	31,841	54,520		9,274	88	8,556	343
Total commercial and industrial	$ 87,363	$ 135,905	$	$ 76,716	$ 1,024	$ 78,493	$ 2,171
Commercial real estate:							
Retail properties	$ 54,216	$ 56,569	$	$ 53,317	$ 531	$ 52,127	$ 2,007
Multi family	5,719	5,862		5,413	85	5,879	278
Office	20,051	24,843		8,695	138	4,631	191
Industrial and warehouse	15,013	17,476		9,779	106	8,045	312
Purchased credit-impaired	126,923	226,093		134,279	2,004	138,858	3,954
Other commercial real estate	10,479	10,728		15,070	140	17,068	412
Total commercial real estate	$ 232,401	$ 341,571	$	$ 226,553	$ 3,004	$ 226,608	$ 7,154
Home equity:							
Secured by first-lien	$	$	$	$	$	$	$
Secured by junior-lien							
Total home equity	$	$	$	$	$	$	$
Residential mortgage:							
Residential mortgage	$	$	$	$	$	$	$
Purchased credit-impaired	2,243	4,104		2,293	34	3,947	68
Total residential mortgage	$ 2,243	$ 4,104	$	$ 2,293	$ 34	$ 3,947	$ 68
Other consumer							
Other consumer	$	$	$	$	$	$	$
Purchased credit-impaired	140	245		626	9	782	18
Total other consumer	$ 140	$ 245	$	$ 626	$ 9	$ 782	$ 18
With an allowance recorded:							
Commercial and industrial: (3)							
Owner occupied	$ 46,266	$ 56,925	$ 5,730	$ 39,339	$ 303	$ 38,927	$ 998
Purchased credit-impaired							
Other commercial and industrial	40,378	52,996	5,964	56,377	424	77,289	1,906
Total commercial and industrial	$ 86,644	$ 109,921	$ 11,694	$ 95,716	$ 727	$ 116,216	$ 2,904
Commercial real estate: (4)							
Retail properties	$ 65,004	$ 73,000	$ 8,144	$ 109,146	$ 848	$ 117,069	$ 4,032
Multi family	17,410	18,531	2,662	26,375	280	29,734	1,108
Office	40,375	45,164	9,214	10,394	52	16,954	210
Industrial and warehouse	22,450	25,374	1,092	23,854	151	24,205	504
Purchased credit-impaired							
Other commercial real estate	48,174	63,148	10,021	66,999	455	74,020	2,032
Total commercial real estate	$ 193,413	$ 225,217	$ 31,133	$ 236,768	$ 1,786	$ 261,982	$ 7,886
Automobile	$ 43,607	$ 44,790	$ 1,446	$ 39,996	$ 782	$ 38,022	$ 2,398
Home equity:							
Secured by first-lien	$ 76,258	$ 80,831	$ 1,329	$ 59,247	$ 730	$ 49,559	$ 1,769
Secured by junior-lien	41,274	63,390	3,454	24,698	368	20,463	804
Total home equity	$ 117,532	$ 144,221	$ 4,783	$ 83,945	$ 1,098	$ 70,022	$ 2,573
Residential mortgage (6):							
Residential mortgage	$ 374,526	$ 413,583	$ 14,176	$ 345,677	$ 2,722	$ 337,876	$ 8,525
Purchased credit-impaired							

Total residential mortgage	$ 374,526	$ 413,583	$ 14,176	$ 345,677	$ 2,722	$ 337,876	$ 8,525
Other consumer:							
Other consumer	$ 2,657	$ 2,657	$ 213	$ 2,954	$ 19	$ 4,118	$ 78
Purchased credit-impaired							
Total other consumer	$ 2,657	$ 2,657	$ 213	$ 2,954	$ 19	$ 4,118	$ 78

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(1) These tables do not include loans fully charged-off.
(2) All automobile, home equity, residential mortgage, and other consumer impaired loans included in these tables are considered impaired due to their status as a TDR.
(3) At September 30, 2013, $44,361 thousand of the $136,880 thousand commercial and industrial loans with an allowance recorded were considered impaired due to their status as a TDR. At December 31, 2012, $44,265 thousand of the $86,644 thousand commercial and industrial loans with an allowance recorded were considered impaired due to their status as a TDR.
(4) At September 30, 2013, $30,293 thousand of the $290,283 thousand commercial real estate loans with an allowance recorded were considered impaired due to their status as a TDR. At December 31, 2012, $31,605 thousand of the $193,413 thousand commercial real estate loans with an allowance recorded were considered impaired due to their status as a TDR.
(5) The differences between the ending balance and unpaid principal balance amounts represent partial charge-offs.
(6) At September 30, 2013, $40,738 thousand of the $380,621 thousand residential mortgages loans with an allowance recorded were guaranteed by the U.S. government. At December 31, 2012, $28,695 thousand of the $374,526 thousand residential mortgage loans with an allowance recorded were guaranteed by the U.S. government.

TDR Loans

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. Loan modifications are considered TDRs when the concessions provided are not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDRs.

TDR Concession Types

The Company s standards relating to loan modifications consider, among other factors, minimum verified income requirements, cash flow analysis, and collateral valuations. Each potential loan modification is reviewed individually and the terms of the loan are modified to meet a borrower s specific circumstances at a point in time. All commercial TDRs are reviewed and approved by our SAD. The types of concessions provided to borrowers include:

Interest rate reduction: A reduction of the stated interest rate to a nonmarket rate for the remaining original life of the debt.

Amortization or maturity date change beyond what the collateral supports, including any of the following:

(1) Lengthens the amortization period of the amortized principal beyond market terms. This concession reduces the minimum monthly payment and increases the amount of the balloon payment at the end of the term of the loan. Principal is generally not forgiven.
(2) Reduces the amount of loan principal to be amortized. This concession also reduces the minimum monthly payment and increases the amount of the balloon payment at the end of the term of the loan. Principal is generally not forgiven.
(3) Extends the maturity date or dates of the debt beyond what the collateral supports. This concession generally applies to loans without a balloon payment at the end of the term of the loan.

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Chapter 7 bankruptcy: A bankruptcy court s discharge of a borrower s debt is considered a concession when the borrower does not reaffirm the discharged debt.

Other: A concession that is not categorized as one of the concessions described above. These concessions include, but are not limited to: principal forgiveness, collateral concessions, covenant concessions, and reduction of accrued interest.

Principal forgiveness may result from any TDR modification of any concession type. However, the aggregate amount of principal forgiven as a result of loans modified as TDRs during the three-month and nine-month periods ended September 30, 2013 and 2012, was not significant.

TDRs by Loan Type

Following is a description of TDRs by the different loan types:

Commercial loan TDRs Commercial accruing TDRs often result from loans receiving a concession with terms that are not considered a market transaction to Huntington. The TDR remains in accruing status as long as the customer is less than 90-days past due on payments per the restructured loan terms and no loss is expected.

Commercial nonaccrual TDRs result from either: (1) an accruing commercial TDR being placed on nonaccrual status, or (2) a workout where an existing commercial NAL is restructured and a concession was given. At times, these workouts restructure the NAL so that two or more new notes are created. The primary note is underwritten based upon our normal underwriting standards and is sized so projected cash flows are sufficient to repay contractual principal and interest. The terms on the secondary note(s) vary by situation, and may include notes that defer principal and interest payments until after the primary note is repaid. Creating two or more notes often allows the borrower to continue a project or weather a temporary economic downturn and allows Huntington to right-size a loan based upon the current expectations for a borrower s or project s performance.

Our strategy involving TDR borrowers includes working with these borrowers to allow them to refinance elsewhere, as well as allow them time to improve their financial position and remain our customer through refinancing their notes according to market terms and conditions in the future. A subsequent refinancing or modification of a loan may occur when either the loan matures according to the terms of the TDR-modified agreement or the borrower requests a change to the loan agreements. At that time, the loan is evaluated to determine if it is creditworthy. It is subjected to the normal underwriting standards and processes for other similar credit extensions, both new and existing. The refinanced note is evaluated to determine if it is considered a new loan or a continuation of the prior loan. A new loan is considered for removal of the TDR designation, whereas a continuation of the prior note requires a continuation of the TDR designation. In order for a TDR designation to be removed, the borrower must no longer be experiencing financial difficulties and the terms of the refinanced loan must not represent a concession.

Residential Mortgage loan TDRs Residential mortgage TDRs represent loan modifications associated with traditional first-lien mortgage loans in which a concession has been provided to the borrower. The primary concessions given to residential mortgage borrowers are amortization or maturity date changes and interest rate reductions. Residential mortgages identified as TDRs involve borrowers unable to refinance their mortgages through the Company s normal mortgage origination channels or through other independent sources. Some, but not all, of the loans may be delinquent.

Automobile, Home Equity, and Other Consumer loan TDRs The Company may make similar interest rate, term, and principal concessions as with residential mortgage loan TDRs.

TDR Impact on Credit Quality

Huntington s ALLL is largely determined by updated risk ratings assigned to commercial loans, updated borrower credit scores on consumer loans, and borrower delinquency history in both the commercial and consumer portfolios. These updated risk ratings and credit scores consider the default history of the borrower, including payment redefaults. As such, the provision for credit losses is impacted primarily by changes in borrower payment performance rather than the TDR classification. TDRs can be classified as either accrual or nonaccrual loans. Nonaccrual TDRs are included in NALs whereas accruing TDRs are excluded from NALs as it is probable that all contractual principal and interest due under the restructured terms will be collected.

Our TDRs may include multiple concessions and the disclosure classifications are presented based on the primary concession provided to the borrower. The majority of our concessions for the C&I and CRE portfolios are the extension of the maturity date coupled with an increase in the interest rate. In these instances, the primary concession is the maturity date extension.

TDR concessions may also result in the reduction of the ALLL within the C&I and CRE portfolios. This reduction is derived from payments and the resulting application of the reserve calculation within the ALLL. The transaction reserve for non-TDR C&I and CRE loans is calculated based upon several estimated probability factors, such as PD and LGD, both of which were previously discussed. Upon the occurrence of a TDR in our C&I and CRE portfolios, the reserve is measured based on discounted expected cash flows or collateral value, less anticipated selling costs, of the modified loan in accordance with ASC 310-10. The resulting TDR ALLL calculation often results in a lower ALLL amount because (1) the discounted expected cash flows or collateral value, less anticipated selling costs, indicate a lower estimated loss, (2) if the modification includes a rate increase, the discounting of the cash flows on the modified loan, using the pre-modification interest rate, exceeds the carrying value of the loan, or (3) payments may occur as part of the modification. The ALLL for C&I and CRE loans may increase as a result of the modification, as the discounted cash flow analysis may indicate additional reserves are required.

TDR concessions on consumer loans may increase the ALLL. The concessions made to these borrowers often include interest rate reductions, and therefore, the TDR ALLL calculation results in a greater ALLL compared with the non-TDR calculation as the reserve is measured based on the estimation of the discounted expected cash flows or collateral value, less anticipated selling costs, on the modified loan in accordance with ASC 310-10. The resulting TDR ALLL calculation often results in a higher ALLL amount because (1) the discounted expected cash flows or collateral value, less anticipated selling costs, indicate a higher estimated loss or, (2) due to the rate decrease, the discounting of the cash flows on the modified loan, using the pre-modification interest rate, indicates a reduction in the expected cash flows or collateral value, less anticipated selling costs. In certain instances, the ALLL may decrease as a result of payments made in connection with the modification.

Commercial loan TDRs In instances where the bank substantiates that it will collect its outstanding balance in full, the note is considered for return to accrual status upon the borrower sustaining sufficient cash flows for a six-month period of time. This six-month period could extend before or after the restructure date. If a charge-off was taken as part of the restructuring, any interest or principal payments received on that note are applied to first reduce the bank s outstanding book balance and then to recoveries of charged-off principal, unpaid interest, and/or fee expenses while the TDR is in nonaccrual status.

Residential Mortgage, Automobile, Home Equity, and Other Consumer loan TDRs Modified loans identified as TDRs are aggregated into pools for analysis. Cash flows and weighted average interest rates are used to calculate impairment at the pooled-loan level. Once the loans are aggregated into the pool, they continue to be classified as TDRs until contractually repaid or charged-off.

Residential mortgage loans not guaranteed by a U.S. government agency such as the FHA, VA, and the USDA, including TDR loans, are reported as accrual or nonaccrual based upon delinquency status. Nonaccrual TDRs are those that are greater than 150-days contractually past due. Loans guaranteed by U.S. government organizations continue to accrue interest upon delinquency.

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The following tables present by class and by the reason for the modification, the number of contracts, post-modification outstanding balance, and the financial effects of the modification for the three-month and nine-month periods ended September 30, 2013 and 2012:

	New Troubled Debt Restructurings During The Three-Month Period Ended[1]					
	September 30, 2013			September 30, 2012		
(dollar amounts in thousands)	Number of Contracts	Post-modification Outstanding Ending Balance	Financial effects of modification[2]	Number of Contracts	Post-modification Outstanding Ending Balance	Financial effects of modification[2]
C&I Owner occupied:						
Interest rate reduction	**2**	**$ 257**	**$ 9**	7	$ 4,292	$ 13
Amortization or maturity date change	**16**	**3,617**	**(10)**	23	5,271	(49)
Other	**4**	**2,935**	**166**	5	1,410	(153)
Total C&I Owner occupied	**22**	**$ 6,809**	**$ 165**	35	$ 10,973	$ (189)
C&I Other commercial and industrial:						
Interest rate reduction	**7**	**$ 19,082**	**$ (1,491)**	6	$ 2,029	$ (261)
Amortization or maturity date change	**29**	**9,978**	**(1,730)**	20	12,393	(432)
Other	**10**	**4,815**	**(40)**	10	3,523	136
Total C&I Other commercial and industrial	**46**	**$ 33,875**	**$ (3,261)**	36	$ 17,945	$ (557)
CRE Retail properties:						
Interest rate reduction	**2**	**$ 378**	**$ (5)**		$	$
Amortization or maturity date change	**10**	**25,693**	**4,162**	1	116	(2)
Other	**5**	**8,034**	**(1,740)**	1	276	(1)
Total CRE Retail properties	**17**	**$ 34,105**	**$ 2,417**	2	$ 392	$ (3)
CRE Multi family:						
Interest rate reduction	**2**	**$ 1,455**	**$ (3)**	8	$ 809	$ (22)
Amortization or maturity date change	**5**	**731**	**(25)**	12	1,216	51
Other	**2**	**161**	**6**	1	343	(8)
Total CRE Multi family	**9**	**$ 2,347**	**$ (22)**	21	$ 2,368	$ 21
CRE Office:						
Interest rate reduction	**2**	**$ 129**	**$ 1**	1	$ 2,039	$ (599)
Amortization or maturity date change	**4**	**3,032**	**153**	2	9,632	(36)
Other	**2**	**2,777**	**160**			
Total CRE Office	**8**	**$ 5,938**	**$ 314**	3	$ 11,671	$ (635)
CRE Industrial and warehouse:						
Interest rate reduction		**$**	**$**	1	$ 1,600	$ (224)
Amortization or maturity date change	**2**	**497**	**(6)**	7	31,577	(3,729)
Other						
Total CRE Industrial and Warehouse	**2**	**$ 497**	**$ (6)**	8	$ 33,177	$ (3,953)
CRE Other commercial real estate:						
Interest rate reduction	**4**	**$ 4,450**	**$ (44)**	2	$ 755	$ (72)
Amortization or maturity date change	**9**	**2,400**	**(14)**	10	13,454	383
Other	**7**	**5,111**	**54**	3	199	111
Total CRE Other commercial real estate	**20**	**$ 11,961**	**$ (4)**	15	$ 14,408	$ 422

Automobile:						
Interest rate reduction	**3**	**$ 5**	**$**	7	$ 51	$
Amortization or maturity date change	**458**	**2,639**	**(18)**	501	3,533	(30)
Chapter 7 bankruptcy	**151**	**1,096**	**(33)**	1,978	11,666	1,754
Total Automobile	**612**	**$ 3,740**	**$ (51)**	2,486	$ 15,250	$ 1,724
Residential mortgage:						
Interest rate reduction	**26**	**$ 2,755**	**$ 36**	8	$ 1,300	$ 59
Amortization or maturity date change	**146**	**20,578**	**320**	113	16,234	117
Chapter 7 bankruptcy	**92**	**10,107**	**134**	528	39,352	4,527
Other	**3**	**327**	**8**	6	663	41
Total Residential mortgage	**267**	**$ 33,767**	**$ 498**	655	$ 57,549	$ 4,744
First-lien home equity:						
Interest rate reduction	**47**	**$ 4,239**	**$ 487**	47	$ 6,837	$ 1,185
Amortization or maturity date change	**88**	**5,815**	**(390)**	31	2,928	28
Chapter 7 bankruptcy	**35**	**2,443**	**(27)**	177	7,461	4,203
Total First-lien home equity	**170**	**$ 12,497**	**$ 70**	255	$ 17,226	$ 5,416
Junior-lien home equity:						
Interest rate reduction	**4**	**$ 167**	**$ 30**	15	$ 1,273	$ 226
Amortization or maturity date change	**441**	**14,301**	**(1,246)**	40	1,586	(40)
Chapter 7 bankruptcy	**462**	**1,787**	**14,062**	1,198	12,366	17,781
Other				7	285	
Total Junior-lien home equity	**907**	**$ 16,255**	**$ 12,846**	1,260	$ 15,510	$ 17,967
Other consumer:						
Interest rate reduction	**1**	**$ 8**	**$**	7	$ 65	$ 9
Amortization or maturity date change	**3**	**8**		4	25	
Chapter 7 bankruptcy	**2**	**5**		12	148	
Total Other consumer	**6**	**$ 21**	**$**	23	$ 238	$ 9
Total new troubled debt restructurings	**2,086**	**$ 161,812**	**$ 12,966**	4,799	$ 196,707	$ 24,966

	New Troubled Debt Restructurings During The Nine-Month Period Ended(1)					
	September 30, 2013			September 30, 2012		
(dollar amounts in thousands)	Number of Contracts	Post-modification Outstanding Ending Balance	Financial effects of modification(2)	Number of Contracts	Post-modification Outstanding Ending Balance	Financial effects of modification(2)
C&I Owner occupied:						
Interest rate reduction	**16**	**$ 5,532**	**$ (463)**	21	$ 9,260	$ 145
Amortization or maturity date change	**49**	**12,631**	**(22)**	70	16,305	522
Other	**12**	**5,358**	**255**	13	4,181	1,105
Total C&I Owner occupied	**77**	**$ 23,521**	**$ (230)**	104	$ 29,746	$ 1,772
C&I Other commercial and industrial:						
Interest rate reduction	**19**	**$ 61,838**	**$ (1,044)**	23	$ 7,095	$ 1
Amortization or maturity date change	**95**	**47,611**	**1,665**	91	36,403	(1,270)
Other	**24**	**11,815**	**171**	28	34,524	201
Total C&I Other commercial and industrial	**138**	**$ 121,264**	**$ 792**	142	$ 78,022	$ (1,068)

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CRE Retail properties:						
Interest rate reduction	**4**	**$ 1,116**	**$ (8)**	8	$ 6,027	$ 957
Amortization or maturity date change	**16**	**26,596**	**4,160**	11	3,166	(23)
Other	**10**	**17,758**	**(557)**	1	276	(1)
Total CRE Retail properties	**30**	**$ 45,470**	**$ 3,595**	20	$ 9,469	$ 933
CRE Multi family:						
Interest rate reduction	**8**	**$ 4,106**	**$ 7**	10	$ 1,143	$ (27)
Amortization or maturity date change	**13**	**1,966**	**(18)**	25	2,913	(20)
Other	**4**	**8,043**	**(2)**	7	7,961	668
Total CRE Multi family	**25**	**$ 14,115**	**$ (13)**	42	$ 12,017	$ 621
CRE Office:						
Interest rate reduction	**6**	**$ 6,209**	**$ 1,657**	4	$ 4,155	$ (236)
Amortization or maturity date change	**11**	**7,375**	**175**	6	11,208	327
Other	**4**	**3,059**	**159**	3	306	
Total CRE Office	**21**	**$ 16,643**	**$ 1,991**	13	$ 15,669	$ 91
CRE Industrial and warehouse:						
Interest rate reduction		**$**	**$**	2	$ 4,600	$ (220)
Amortization or maturity date change	**7**	**1,590**	**(9)**	13	34,350	(3,850)
Other	**1**	**5,867**				
Total CRE Industrial and Warehouse	**8**	**$ 7,457**	**$ (9)**	15	$ 38,950	$ (4,070)
CRE Other commercial real estate:						
Interest rate reduction	**13**	**$ 5,940**	**$ 8**	9	$ 2,792	$ (288)
Amortization or maturity date change	**13**	**3,100**	**(12)**	38	66,007	4,145
Other	**8**	**5,463**	**53**	5	9,634	(1,893)
Total CRE Other commercial real estate	**34**	**$ 14,503**	**$ 49**	52	$ 78,433	$ 1,964
Automobile:						
Interest rate reduction	**11**	**$ 78**	**$**	28	$ 271	$ 4
Amortization or maturity date change	**1,146**	**6,550**	**(52)**	1,401	9,813	(73)
Chapter 7 bankruptcy	**864**	**5,384**	**344**	1,978	11,666	1,754
Other						
Total Automobile	**2,021**	**$ 12,012**	**$ 292**	3,407	$ 21,750	$ 1,685
Residential mortgage:						
Interest rate reduction	**58**	**$ 11,228**	**$**	12	$ 7,466	$ 10
Amortization or maturity date change	**323**	**43,589**	**389**	318	42,326	1,051
Chapter 7 bankruptcy	**157**	**16,697**	**577**	528	39,352	4,527
Other	**15**	**1,612**	**38**	6	663	41
Total Residential mortgage	**553**	**$ 73,126**	**$ 1,004**	864	$ 89,807	$ 5,629
First-lien home equity:						
Interest rate reduction	**106**	**$ 9,553**	**$ 908**	177	$ 21,841	$ 3,666
Amortization or maturity date change	**165**	**11,365**	**(959)**	57	5,825	23
Chapter 7 bankruptcy	**93**	**5,897**	**587**	177	7,461	4,203
Other						
Total First-lien home equity	**364**	**$ 26,815**	**$ 536**	411	$ 35,127	$ 7,892

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Junior-lien home equity:						
Interest rate reduction	**20**	**$ 916**	**$ 155**	52	$ 2,749	$ 443
Amortization or maturity date change	**981**	**35,672**	**(3,613)**	59	2,458	(57)
Chapter 7 bankruptcy	**642**	**4,044**	**17,181**	1,198	12,366	17,781
Other				7	288	
Total Junior-lien home equity	**1,643**	**$ 40,632**	**$ 13,723**	1,316	$ 17,861	$ 18,167
Other consumer:						
Interest rate reduction	**4**	**$ 227**	**$ 42**	12	$ 228	$ 23
Amortization or maturity date change	**8**	**72**	**5**	15	352	30
Chapter 7 bankruptcy	**19**	**285**	**56**	12	148	
Other						
Total Other consumer	**31**	**$ 584**	**$ 103**	39	$ 728	$ 53
Total new troubled debt restructurings	**4,945**	**$ 396,142**	**$ 21,833**	6,425	$ 427,579	$ 33,669

(1) TDRs may include multiple concessions and the disclosure classifications are based on the primary concession provided to the borrower.
(2) Amount represents the financial impact via provision for loan and lease losses as a result of the modification.
Any loan within any portfolio or class is considered as payment redefaulted at 90-days past due.

The following tables present TDRs that have defaulted within one year of modification during the three-month and nine-month periods ended September 30, 2013 and 2012:

	Troubled Debt Restructurings That Have Redefaulted[(1)] Within One Year Of Modification During The Three Months Ended			
	September 30, 2013		**September 30, 2012**	
(dollar amounts in thousands)	Number of Contracts	Ending Balance	Number of Contracts	Ending Balance
C&I Owner occupied:				
Interest rate reduction		**$**	2	$ 239
Amortization or maturity date change	**3**	**349**	4	489
Other				
Total C&I Owner occupied	**3**	**$ 349**	6	$ 728
C&I Other commercial and industrial:				
Interest rate reduction		**$**		$
Amortization or maturity date change	**7**	**263**	3	84
Other				
Total C&I Other commercial and industrial	**7**	**$ 263**	3	$ 84
CRE Retail Properties:				
Interest rate reduction		**$**		$
Amortization or maturity date change				
Other				
Total CRE Retail properties		**$**		$

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CRE Multi family:				
Interest rate reduction		**$**		$
Amortization or maturity date change	**2**	**225**		
Other				
Total CRE Multi family	**2**	**$ 225**		$
CRE Office:				
Interest rate reduction		**$**		$
Amortization or maturity date change				
Other				
Total CRE Office		**$**		$
CRE Industrial and Warehouse:				
Interest rate reduction		**$**		$
Amortization or maturity date change	**1**	**361**		
Other	**1**	**726**		
Total CRE Industrial and Warehouse	**2**	**$ 1,087**		$
CRE Other commercial real estate:				
Interest rate reduction		**$**		$
Amortization or maturity date change	**2**	**725**		
Other				
Total CRE Other commercial real estate	**2**	**$ 725**		$
Automobile:				
Interest rate reduction		**$**	1	$
Amortization or maturity date change	**8**	**93**	20	
Chapter 7 bankruptcy	**17**	**107**		
Other				
Total Automobile	**25**	**$ 200**	21	$
Residential mortgage:				
Interest rate reduction		**$**		$
Amortization or maturity date change	**19**	**2,930**	18	2,422
Chapter 7 bankruptcy	**10**	**658**	17	1,760
Other			1	106
Total Residential mortgage	**29**	**$ 3,588**	36	$ 4,288
First-lien home equity:				
Interest rate reduction		**$**		$
Amortization or maturity date change	**1**	**14**	4	489
Chapter 7 bankruptcy	**5**	**193**		
Other				
Total First-lien home equity	**6**	**$ 207**	4	$ 489
Junior-lien home equity:				
Interest rate reduction	**1**	**$**		$
Amortization or maturity date change	**2**	**102**	1	20
Chapter 7 bankruptcy	**6**	**80**		
Other				
Total Junior-lien home equity	**9**	**$ 182**	1	$ 20
Other consumer:				
Interest rate reduction		**$**		$
Amortization or maturity date change				
Chapter 7 bankruptcy	**1**	**94**		

Other				
Total Other consumer	**1**	**$ 94**		$
Total troubled debt restructurings with subsequent redefault	**86**	**$ 6,920**	71	$ 5,609

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	Troubled Debt Restructurings That Have Redefaulted[1]			
	Within One Year of Modification During The Nine Months Ended			
	September 30, 2013		September 30, 2012	
(dollar amounts in thousands)	Number of Contracts	Ending Balance	Number of Contracts	Ending Balance
C&I Owner occupied:				
Interest rate reduction		$	3	$ 1,237
Amortization or maturity date change	**7**	**820**	10	1,085
Other	**7**	**1,203**		
Total C&I Owner occupied	**14**	**$ 2,023**	13	$ 2,322
C&I Other commercial and industrial:				
Interest rate reduction		$	3	$ 401
Amortization or maturity date change	**16**	**379**	12	558
Other			3	387
Total C&I Other commercial and industrial	**16**	**$ 379**	18	$ 1,346
CRE Retail Properties:				
Interest rate reduction		$		$
Amortization or maturity date change	**3**	**835**	2	372
Other				
Total CRE Retail properties	**3**	**$ 835**	2	$ 372
CRE Multi family:				
Interest rate reduction		$	2	$ 1,236
Amortization or maturity date change	**2**	**225**	1	117
Other				
Total CRE Multi family	**2**	**$ 225**	3	$ 1,353
CRE Office:				
Interest rate reduction		$		$
Amortization or maturity date change	**2**	**1,131**		
Other				
Total CRE Office	**2**	**$ 1,131**		$
CRE Industrial and Warehouse:				
Interest rate reduction		$		$
Amortization or maturity date change	**1**	**361**		
Other	**1**	**726**		
Total CRE Industrial and Warehouse	**2**	**$ 1,087**		$
CRE Other commercial real estate:				
Interest rate reduction		$	1	$ 898
Amortization or maturity date change	**3**	**774**	4	646
Other	**1**	**5**		
Total CRE Other commercial real estate	**4**	**$ 779**	5	$ 1,544
Automobile:				
Interest rate reduction	**1**	**$ 112**	4	$
Amortization or maturity date change	**28**	**294**	123	
Chapter 7 bankruptcy	**115**	**461**		
Other				
Total Automobile	**144**	**$ 867**	127	$

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Residential mortgage:				
Interest rate reduction		**$**	1	$ 29
Amortization or maturity date change	**56**	**8,317**	76	10,866
Chapter 7 bankruptcy	**46**	**3,826**	17	1,761
Other	**2**	**418**	5	523
Total Residential mortgage	**104**	**$ 12,561**	99	$ 13,179
First-lien home equity:				
Interest rate reduction		**$**	9	$ 821
Amortization or maturity date change	**1**	**14**	5	503
Chapter 7 bankruptcy	**11**	**942**		
Other				
Total First-lien home equity	**12**	**$ 956**	14	$ 1,324
Junior-lien home equity:				
Interest rate reduction	**1**	**$**	2	$ 112
Amortization or maturity date change	**3**	**159**	3	99
Chapter 7 bankruptcy	**26**	**649**		
Other				
Total Junior-lien home equity	**30**	**$ 808**	5	$ 211
Other consumer:				
Interest rate reduction		**$**	1	$
Amortization or maturity date change			3	
Chapter 7 bankruptcy	**2**	**96**		
Other				
Total Other consumer	**2**	**$ 96**	4	$
Total troubled debt restructurings with subsequent redefault	**335**	**$ 21,747**	290	$ 21,651

(1) Subsequent redefault is defined as a payment redefault within 12 months of the restructuring date. Payment redefault is defined as 90-days past due for any loan in any portfolio or class. Any loan in any portfolio or class may be considered to be in payment redefault prior to the guidelines noted above when collection of principal or interest is in doubt.

Pledged Loans and Leases

At September 30, 2013, the Bank has access to the Federal Reserve s discount window and advances from the FHLB Cincinnati. As of September 30, 2013, these borrowings and advances are secured by $19.2 billion of loans and securities.

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4. AVAILABLE-FOR-SALE AND OTHER SECURITIES

Listed below are the contractual maturities (under 1 year, 1-5 years, 6-10 years, and over 10 years) of available-for-sale and other securities at September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
(dollar amounts in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
U.S. Treasury:				
Under 1 year	**$ 50,614**	**51,030**	$	$
1-5 years	**507**	**521**	51,111	51,770
6-10 years			508	539
Over 10 years	**1**	**3**	1	2
Total U.S. Treasury	**51,122**	**51,554**	51,620	52,311
Federal agencies: mortgage-backed securities:				
Under 1 year			1	1
1-5 years	**174,631**	**176,076**	182,722	185,792
6-10 years	**455,677**	**458,965**	503,045	521,068
Over 10 years	**2,567,734**	**2,586,670**	3,464,196	3,557,809
Total Federal agencies: mortgage-backed securities	**3,198,042**	**3,221,711**	4,149,964	4,264,670
Other agencies:				
Under 1 year	**5,080**	**5,128**	4,934	5,017
1-5 years	**303,788**	**310,437**	304,769	314,149
6-10 years	**23,611**	**23,854**	39,143	40,460
Over 10 years				
Total other agencies	**332,479**	**339,419**	348,846	359,626
Total U.S. Government backed agencies	**3,581,643**	**3,612,684**	4,550,430	4,676,607
Municipal securities:				
Under 1 year	**21,515**	**21,736**	466	466
1-5 years	**168,071**	**172,716**	173,300	177,593
6-10 years	**336,606**	**331,031**	257,314	265,490
Over 10 years	**39,345**	**40,995**	58,000	57,451
Total municipal securities	**565,537**	**566,478**	489,080	501,000
Private-label CMO:				
Under 1 year				
1-5 years				
6-10 years	**2,293**	**2,396**	7,394	7,567
Over 10 years	**51,423**	**48,370**	68,163	64,001
Total private-label CMO	**53,716**	**50,766**	75,557	71,568
Asset-backed securities:				
Under 1 year	**17,333**	**17,354**	26,000	26,258
1-5 years	**477,629**	**481,841**	506,319	514,616

6-10 years	**239,863**	**240,376**	204,525	210,477
Over 10 years	**476,650**	**388,756**	389,471	277,732
Total asset-backed securities	**1,211,475**	**1,128,327**	1,126,315	1,029,083
Covered bonds:				
Under 1 year				
1-5 years	**280,969**	**286,924**	282,080	290,625
6-10 years				
Over 10 years				
Total covered bonds	**280,969**	**286,924**	282,080	290,625
Corporate debt:				
Under 1 year	**702**	**713**	27,153	27,411
1-5 years	**257,667**	**266,984**	458,516	468,077
6-10 years	**189,733**	**182,756**	158,878	162,453
Over 10 years	**10,121**	**10,519**	10,146	10,201
Total corporate debt	**458,223**	**460,972**	654,693	668,142
Other:				
Under 1 year			1,500	1,498
1-5 years	**3,900**	**3,774**	2,400	2,400
6-10 years				
Over 10 years				
Non-marketable equity securities	**317,462**	**317,462**	308,075	308,075
Marketable equity securities	**18,965**	**19,294**	16,877	17,177
Total other	**340,327**	**340,530**	328,852	329,150
Total available-for-sale and other securities	**$ 6,491,890**	**$ 6,446,681**	$ 7,507,007	$ 7,566,175

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Other securities at September 30, 2013 and December 31, 2012 include $165.6 million of stock issued by the FHLB of Cincinnati, $3.5 million of stock issued by the FHLB of Indianapolis, and $148.4 million and $139.0 million, respectively, of Federal Reserve Bank stock. Non-marketable equity securities are valued at amortized cost. At September 30, 2013 and December 31, 2012, Huntington did not have any material equity positions in FNMA or FHLMC.

The following tables provide amortized cost, fair value, and gross unrealized gains and losses recognized in accumulated other comprehensive income by investment category at September 30, 2013 and December 31, 2012:

		Unrealized		
(dollar amounts in thousands)	**Amortized Cost**	**Gross Gains**	**Gross Losses**	**Fair Value**
September 30, 2013				
U.S. Treasury	**$ 51,122**	**$ 432**	**$**	**$ 51,554**
Federal agencies:				
Mortgage-backed securities	**3,198,042**	**45,997**	**(22,328)**	**3,221,711**
Other agencies	**332,479**	**7,078**	**(138)**	**339,419**
Total U.S. Government backed securities	**3,581,643**	**53,507**	**(22,466)**	**3,612,684**
Municipal securities	**565,537**	**9,309**	**(8,368)**	**566,478**
Private-label CMO	**53,716**	**1,012**	**(3,962)**	**50,766**
Asset-backed securities	**1,211,475**	**7,434**	**(90,582)**	**1,128,327**
Covered bonds	**280,969**	**5,955**		**286,924**
Corporate debt	**458,223**	**11,250**	**(8,501)**	**460,972**
Other securities	**340,327**	**373**	**(170)**	**340,530**
Total available-for-sale and other securities	**$ 6,491,890**	**$ 88,840**	**$ (134,049)**	**$ 6,446,681**

		Unrealized		
(dollar amounts in thousands)	**Amortized Cost**	**Gross Gains**	**Gross Losses**	**Fair Value**
December 31, 2012				
U.S. Treasury	$ 51,620	$ 691	$	$ 52,311
Federal agencies:				
Mortgage-backed securities	4,149,964	114,984	(278)	4,264,670
Other agencies	348,846	10,781	(1)	359,626
Total U.S. Government backed securities	4,550,430	126,456	(279)	4,676,607
Municipal securities	489,080	13,927	(2,007)	501,000
Private-label CMO	75,557	1,087	(5,076)	71,568
Asset-backed securities	1,126,315	16,287	(113,519)	1,029,083
Covered bonds	282,080	8,545		290,625
Corporate debt	654,693	15,301	(1,852)	668,142
Other securities	328,852	333	(35)	329,150
Total available-for-sale and other securities	$ 7,507,007	$ 181,936	$ (122,768)	$ 7,566,175

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The following tables provide detail on investment securities with unrealized losses aggregated by investment category and length of time the individual securities have been in a continuous loss position, at September 30, 2013 and December 31, 2012:

	Less than 12 Months		**Over 12 Months**		**Total**	
(dollar amounts in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
September 30, 2013						
U.S. Treasury	**$**	**$**	**$**	**$**	**$**	**$**
Federal agencies:						
Mortgage-backed securities	**938,245**	**(22,328)**			**938,245**	**(22,328)**
Other agencies	**6,510**	**(138)**			**6,510**	**(138)**
Total U.S. Government backed securities	**944,755**	**(22,466)**			**944,755**	**(22,466)**
Municipal securities	**236,408**	**(8,368)**			**236,408**	**(8,368)**
Private-label CMO			**22,178**	**(3,962)**	**22,178**	**(3,962)**
Asset-backed securities	**360,373**	**(8,369)**	**114,901**	**(82,213)**	**475,274**	**(90,582)**
Covered bonds						
Corporate debt	**191,113**	**(8,501)**			**191,113**	**(8,501)**
Other securities	**3,024**	**(126)**	**3,255**	**(44)**	**6,279**	**(170)**
Total temporarily impaired securities	**$ 1,735,673**	**$ (47,830)**	**$ 140,334**	**$ (86,219)**	**$ 1,876,007**	**$ (134,049)**

	Less than 12 Months		**Over 12 Months**		**Total**	
(dollar amounts in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2012						
U.S. Treasury	$	$	$	$	$	$
Federal agencies:						
Mortgage-backed securities	44,836	(278)			44,836	(278)
Other agencies	801	(1)			801	(1)
Total U.S. Government backed securities	45,637	(279)			45,637	(279)
Municipal securities	51,316	(2,007)			51,316	(2,007)
Private-label CMO	22,793		34,617	(5,076)	57,410	(5,076)
Asset-backed securities	28,089	(73)	108,660	(113,446)	136,749	(113,519)
Covered bonds						
Corporate debt	138,792	(1,472)	119,620	(380)	258,412	(1,852)
Other securities			1,630	(35)	1,630	(35)
Total temporarily impaired securities	$ 286,627	$ (3,831)	$ 264,527	$ (118,937)	$ 551,154	$ (122,768)

The following table is a summary of realized securities gains and losses for the three-month and nine-month periods ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Gross gains on sales of securities	**$ 448**	$ 6,253	**$ 1,635**	$ 7,736
Gross (losses) on sales of securities	**(264)**	(1,968)	**(654)**	(2,224)
Net gain on sales of securities	**$ 184**	$ 4,285	**$ 981**	$ 5,512

Pooled-Trust-Preferred, and Private-Label CMO Securities

The highest risk category of our investment portfolio are the private-label CMO and the pooled-trust-preferred portfolios. Of the $50.8 million of the private-label CMO securities reported at fair value at September 30, 2013, approximately $19.9 million are rated below investment grade. The pooled-trust-preferred securities are in the asset-backed securities portfolio. The performance of the underlying securities in each of these categories continued to reflect the economic environment. Each of these securities in these two categories is subjected to a rigorous review of its projected cash flows. These reviews are supported with analysis from independent third parties.

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The following table summarizes the relevant characteristics of our pooled-trust-preferred securities portfolio, which are included in asset-backed securities, at September 30, 2013. Each security is part of a pool of issuers and supports a more senior tranche of securities except for the I-Pre TSL II, and MM Comm III securities which are the most senior class.

Trust Preferred Securities Data

September 30, 2013

(dollar amounts in thousands)

Deal Name	Par Value	Amortized Cost	Fair Value	Unrealized Loss (2)	Lowest Credit Rating (3)	# of Issuers Currently Performing/ Remaining (4)	Actual Deferrals and Defaults as a % of Original Collateral	Expected Defaults as a % of Remaining Performing Collateral	Excess Subordination (5)
Alesco II (1)	$ 41,646	$ 29,830	$ 12,789	$ (17,041)	C	30/34	10 %	9 %	%
ICONS	20,000	20,000	15,192	(4,808)	BB	22/23	3	13	52
I-Pre TSL II	20,464	20,413	18,201	(2,212)	A	21/23	5	10	77
MM Comm III	7,162	6,843	5,229	(1,614)	BB	6/10	5	9	27
Pre TSL IX (1)	5,000	3,955	1,889	(2,066)	C	30/44	20	13	4
Pre TSL X (1)	17,149	8,551	5,702	(2,849)	C	33/47	25	12	
Pre TSL XI (1)	25,000	21,216	8,243	(12,973)	C	41/60	28	15	
Pre TSL XIII (1)	28,218	21,579	11,363	(10,216)	C	44/61	28	22	4
Reg Diversified (1)	25,500	6,908	561	(6,347)	D	23/42	40	12	
Soloso (1)	12,500	2,440	127	(2,313)	C	36/63	32	22	
Tropic III	31,000	31,000	12,629	(18,371)	CCC+	24/40	29	17	38
Total at September 30, 2013	**$ 233,639**	**$ 172,735**	**$ 91,925**	**$ (80,810)**					
Total at December 31, 2012	$ 266,863	$ 195,760	$ 84,296	$ (111,464)					

(1) Security was determined to have OTTI. As such, the book value is net of recorded credit impairment.
(2) The majority of securities have been in a continuous loss position for 12 months or longer.
(3) For purposes of comparability, the lowest credit rating expressed is equivalent to Fitch ratings even where the lowest rating is based on another nationally recognized credit rating agency.
(4) Includes both banks and/or insurance companies.
(5) Excess subordination percentage represents the additional defaults in excess of both current and projected defaults that the CDO can absorb before the bond experiences credit impairment. Excess subordinated percentage is calculated by (a) determining what percentage of defaults a deal can experience before the bond has credit impairment, and (b) subtracting from this default breakage percentage both total current and expected future default percentages.

Security Impairment

Huntington evaluates its available-for-sale securities portfolio on a quarterly basis for indicators of OTTI. Huntington assesses whether OTTI has occurred when the fair value of a debt security is less than the amortized cost basis at period-end. Management reviews the amount of unrealized loss, the length of time the security has been in an unrealized loss position, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. OTTI is considered to have occurred; (1) if Huntington intends to sell the security; (2) if it is more likely than not Huntington will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of the expected cash flows is not sufficient to recover all contractually required principal and interest payments.

For securities that Huntington does not expect to sell and it is not more likely than not to be required to sell, the OTTI is separated into credit and noncredit components. A discounted cash flow analysis, which includes evaluating the timing of the expected cash flows, is completed for all debt securities subject to credit impairment. The measurement of the credit loss component is equal to the difference between the debt security s cost basis and the present value of its expected future cash flows discounted at the security s original effective yield. The credit-related OTTI, represented by the expected loss in principal, is recognized in noninterest income. The remaining difference between the security s fair value and the present value of future expected cash flows is due to factors that are not credit-related and, therefore, are recognized in OCI. Huntington believes that it will fully collect the carrying value of securities on which noncredit-related OTTI has been recognized in OCI. Noncredit-related OTTI results from other factors, including increased liquidity spreads and extension of the security. For securities which Huntington does expect to sell, or if it is more likely than not Huntington will be required to sell the security before recovery of its amortized cost basis, all OTTI is recognized in earnings. Presentation of OTTI is made in the Condensed Consolidated Statements of Income on a gross basis with a reduction for the amount of OTTI recognized in OCI. Once an OTTI is recorded, when future cash flows can be reasonably estimated, future cash flows are re-allocated between interest and principal cash flows to provide for a level-yield on the security.

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Huntington applied the related OTTI guidance on the debt security types listed below.

Alt-A mortgage-backed and private-label CMO securities are collateralized by first-lien residential mortgage loans. The securities are valued by a third party pricing specialist using a discounted cash flow approach and proprietary pricing model. The model uses inputs such as estimated prepayment speeds, losses, recoveries, default rates that are implied by the underlying performance of collateral in the structure or similar structures, discount rates that are implied by market prices for similar securities, collateral structure types, and house price depreciation / appreciation rates that are based upon macroeconomic forecasts.

Pooled-trust-preferred securities are CDOs backed by a pool of debt securities issued by financial institutions. The collateral generally consists of trust-preferred securities and subordinated debt securities issued by banks, bank holding companies, and insurance companies. A full cash flow analysis is used to estimate fair values and assess impairment for each security within this portfolio. A third party pricing specialist with direct industry experience in pooled-trust-preferred security evaluations is engaged to provide assistance estimating the fair value and expected cash flows on this portfolio. The full cash flow analysis is completed by evaluating the relevant credit and structural aspects of each pooled-trust-preferred security in the portfolio, including collateral performance projections for each piece of collateral in the security and terms of the security s structure. The credit review includes an analysis of profitability, credit quality, operating efficiency, leverage, and liquidity using available financial and regulatory information for each underlying collateral issuer. The analysis also includes a review of historical industry default data, current/near term operating conditions, and the impact of macroeconomic and regulatory changes. Using the results of our analysis, we estimate appropriate default and recovery probabilities for each piece of collateral then estimate the expected cash flows for each security. The cumulative probability of default ranges from a low of 1% to 100%.

Many collateral issuers have the option of deferring interest payments on their debt for up to five years. For issuers who are deferring interest, assumptions are made regarding the issuers ability to resume interest payments and make the required principal payment at maturity; the cumulative probability of default for these issuers currently ranges from 1% to 100%, and a 10% recovery assumption. The fair value of each security is obtained by discounting the expected cash flows at a market discount rate, ranging from LIBOR plus 3.5% to LIBOR plus 15.3% as of September 30, 2013. The market discount rate is determined by reference to yields observed in the market for similarly rated collateralized debt obligations, specifically high-yield collateralized loan obligations. The relatively high market discount rate is reflective of the uncertainty of the cash flows and illiquid nature of these securities. The large differential between the fair value and amortized cost of some of the securities reflects the high market discount rate and the expectation that the majority of the cash flows will not be received until near the final maturity of the security (the final maturities range from 2032 to 2035).

For the three-month and nine-month periods ended September 30, 2013 and 2012, the following table summarizes by security type the total OTTI losses recognized in the Unaudited Condensed Consolidated Statements of Income for securities evaluated for impairment as described above.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Available-for-sale and other securities:				
Alt-A Mortgage-backed	**$**	$	**$**	$
Pooled-trust-preferred	**(86)**		**(1,466)**	
Private label CMO		(116)	**(336)**	(1,601)
Total debt securities	**(86)**	(116)	**(1,802)**	(1,601)
Equity securities				(5)
Total available-for-sale and other securities	**$ (86)**	$ (116)	**$ (1,802)**	$ (1,606)

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The following table rolls forward the OTTI amounts recognized in earnings on debt securities held by Huntington for the three-month and nine-month periods ended September 30, 2013 and 2012 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Balance, beginning of period	**$ 49,851**	$ 57,152	**$ 49,433**	$ 56,764
Reductions from sales/maturities	**(11,886)**	(7,848)	**(13,184)**	(8,945)
Credit losses not previously recognized				
Additional credit losses	**86**	116	**1,802**	1,601
Balance, end of period	**$ 38,051**	$ 49,420	**$ 38,051**	$ 49,420

The fair values of these assets have been impacted by various market conditions. The unrealized losses were primarily the result of wider liquidity spreads on asset-backed securities and increased market volatility on non-agency mortgage and asset-backed securities that are collateralized by certain mortgage loans. In addition, the expected average lives of the asset-backed securities backed by trust-preferred securities have been extended, due to changes in the expectations of when the underlying securities would be repaid. The contractual terms and / or cash flows of the investments do not permit the issuer to settle the securities at a price less than the amortized cost. Huntington does not intend to sell, nor does it believe it will be required to sell these securities until the fair value is recovered, which may be maturity and; therefore, does not consider them to be other-than-temporarily impaired at September 30, 2013.

As of September 30, 2013, Management has evaluated all other investment securities with unrealized losses and all non-marketable securities for impairment and concluded no additional OTTI is required.

5. HELD-TO-MATURITY SECURITIES

These are debt securities that Huntington has the intent and ability to hold until maturity. The debt securities are carried at amortized cost and adjusted for amortization of premiums and accretion of discounts using the interest method.

Listed below are the contractual maturities (under 1 year, 1-5 years, 6-10 years, and over 10 years) of held-to-maturity securities at September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
(dollar amounts in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Federal agencies: mortgage-backed securities:				
Under 1 year	**$**	**$**	$	$
1-5 years				
6-10 years	**24,901**	**22,764**	24,901	24,739
Over 10 years	**2,096,322**	**2,083,669**	1,624,483	1,672,702
Total Federal agencies: mortgage-backed securities	**2,121,223**	**2,106,433**	1,649,384	1,697,441
Other agencies:				
Under 1 year				
1-5 years				
6-10 years	**39,346**	**39,206**	15,108	15,338
Over 10 years	**66,222**	**62,749**	69,399	71,341
Total other agencies	**105,568**	**101,955**	84,507	86,679

Total U.S. Government backed agencies	**2,226,791**	**2,208,388**	1,733,891	1,784,120
Municipal securities:				
Under 1 year				
1-5 years				
6-10 years				
Over 10 years	**9,330**	**8,971**	9,985	9,985
Total municipal securities	**9,330**	**8,971**	9,985	9,985
Total held-to-maturity securities	**$ 2,236,121**	**$ 2,217,359**	$ 1,743,876	$ 1,794,105

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The following table provides amortized cost, gross unrealized gains and losses, and fair value by investment category at September 30, 2013 and December 31, 2012:

		Unrealized		
(dollar amounts in thousands)	Amortized Cost	Gross Gains	Gross Losses	Fair Value
September 30, 2013				
Federal Agencies:				
Mortgage-backed securities	**$ 2,121,223**	**$ 13,534**	**$ (28,324)**	**$ 2,106,433**
Other agencies	**105,568**		**(3,613)**	**101,955**
Total U.S. Governmentbacked securities	**2,226,791**	**13,534**	**(31,937)**	**2,208,388**
Municipal securities	**9,330**		**(359)**	**8,971**
Total held-to-maturity securities	**$ 2,236,121**	**$ 13,534**	**$ (32,296)**	**$ 2,217,359**

		Unrealized		
(dollar amounts in thousands)	Amortized Cost	Gross Gains	Gross Losses	Fair Value
December 31, 2012				
Federal Agencies:				
Mortgage-backed securities	$ 1,649,384	$ 48,219	$ (162)	$ 1,697,441
Other agencies	84,507	2,172		86,679
Total U.S. Governmentbacked securities	1,733,891	50,391	(162)	1,784,120
Municipal securities	9,985			9,985
Total held-to-maturity securities	$ 1,743,876	$ 50,391	$ (162)	$ 1,794,105

All held-to-maturity securities with unrealized losses aggregated by investment category have been in continuous loss positions for less than 12 months.

Security Impairment

Huntington evaluates the held-to-maturity securities portfolio on a quarterly basis for impairment. Impairment would exist when the present value of the expected cash flows is not sufficient to recover the entire amortized cost basis at the balance sheet date. Under these circumstances, any impairment would be recognized in earnings. As of September 30, 2013, Management has evaluated held-to-maturity securities with unrealized losses for impairment and concluded no OTTI is required.

6. LOAN SALES AND SECURITIZATIONS

Residential Mortgage Loans

The following table summarizes activity relating to residential mortgage loans sold with servicing retained for the three-month and nine-month periods ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Residential mortgage loans sold with servicing retained	**$ 853,287**	$ 889,769	**$ 2,603,414**	$ 2,746,068

Pretax gains resulting from above loan sales (1)	**23,224**	30,195	**91,519**	83,849

(1) Recorded in mortgage banking income.

A MSR is established only when the servicing is contractually separated from the underlying mortgage loans by sale or securitization of the loans with servicing rights retained. At initial recognition, the MSR asset is established at its fair value using assumptions consistent with assumptions used to estimate the fair value of existing MSRs. At the time of initial capitalization, MSRs may be recorded using either the fair value method or the amortization method. The election of the fair value method or amortization method is made at the time each servicing class is established. Subsequently, servicing rights are accounted for based on the methodology chosen for each respective servicing class. Any increase or decrease in the fair value of MSRs carried under the fair value method, as well as amortization or impairment of MSRs recorded using the amortization method, during the period is recorded as an increase or decrease in mortgage banking income, which is reflected in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

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The following tables summarize the changes in MSRs recorded using either the fair value method or the amortization method for the three-month and nine-month periods ended September 30, 2013 and 2012:

Fair Value Method: *(dollar amounts in thousands)*	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Fair value, beginning of period	**$ 37,544**	$ 45,061	**$ 35,202**	$ 65,001
Change in fair value during the period due to:				
Time decay (1)	**(727)**	(633)	**(1,961)**	(2,282)
Payoffs (2)	**(3,015)**	(3,043)	**(9,774)**	(11,334)
Changes in valuation inputs or assumptions (3)	**304**	(4,764)	**10,639**	(14,764)
Fair value, end of period:	**$ 34,106**	$ 36,621	**$ 34,106**	$ 36,621
Weighted-average life (years)	**4.1**	3.0	**4.1**	3.0

(1) Represents decrease in value due to passage of time, including the impact from both regularly scheduled loan principal payments and partial loan paydowns.
(2) Represents decrease in value associated with loans that paid off during the period.
(3) Represents change in value resulting primarily from market-driven changes in interest rates and prepayment spreads.

Amortization Method: *(dollar amounts in thousands)*	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Carrying value, beginning of period	**$ 117,978**	$ 83,236	**$ 85,545**	$ 72,434
New servicing assets created	**9,864**	7,725	**28,614**	26,081
Impairment (charge) / recovery	**(132)**	(14,779)	**21,459**	(13,886)
Amortization and other	**(3,040)**	(4,729)	**(10,948)**	(13,176)
Carrying value, end of period	**$ 124,670**	$ 71,453	**$ 124,670**	$ 71,453
Fair value, end of period	**$ 136,590**	$ 71,453	**$ 136,590**	$ 71,453
Weighted-average life (years)	**6.3**	2.7	**6.3**	2.7

MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs occur, the precise terms and conditions are typically not readily available. Therefore, the fair value of MSRs is estimated using a discounted future cash flow model. The model considers portfolio characteristics, contractually specified servicing fees and assumptions related to prepayments, delinquency rates, late charges, other ancillary revenues, costs to service, and other economic factors. Changes in the assumptions used may have a significant impact on the valuation of MSRs.

MSR values are very sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be greatly impacted by the level of prepayments. Huntington hedges the value of certain MSRs against changes in value attributable to changes in interest rates using a combination of derivative instruments and trading securities.

For MSRs under the fair value method, a summary of key assumptions and the sensitivity of the MSR value at September 30, 2013 and December 31, 2012, to changes in these assumptions follows:

	September 30, 2013			December 31, 2012		
		Decline in fair value due to			Decline in fair value due to	
(dollar amounts in thousands)	Actual	10% adverse change	20% adverse change	Actual	10% adverse change	20% adverse change
Constant prepayment rate *(annualized)*	**11.90 %**	**$ (2,100)**	**$ (4,180)**	19.52 %	$ (2,608)	$ (5,051)
Spread over forward interest rate swap rates	**1,236 bps**	**(1,424)**	**(2,849)**	1,288 bps	(1,290)	(2,580)

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For MSRs under the amortization method, a summary of key assumptions and the sensitivity of the MSR value at September 30, 2013 and December 31, 2012, to changes in these assumptions follows:

	September 30, 2013			December 31, 2012		
		Decline in fair value due to			Decline in fair value due to	
(dollar amounts in thousands)	Actual	10% adverse change	20% adverse change	Actual	10% adverse change	20% adverse change
Constant prepayment rate *(annualized)*	**7.50%**	**$ (7,283)**	**$ (14,154)**	15.45%	$ (4,936)	$ (9,451)
Spread over forward interest rate swap rates	**873 bps**	**(5,351)**	**(10,702)**	940 bps	(3,060)	(6,119)

Total servicing fees included in mortgage banking income amounted to $10.9 million and $11.3 million for the three-month periods ended September 30, 2013 and 2012, respectively. For the nine-month periods ended September 30, 2013 and 2012, servicing fees totaled $33.0 million and $34.7 million, respectively. The unpaid principal balance of residential mortgage loans serviced for third parties was $15.6 billion and $15.6 billion at September 30, 2013 and December 31, 2012, respectively.

Automobile Loans and Leases

Huntington has retained servicing responsibilities on sold automobile loans and receives annual servicing fees and other ancillary fees on the outstanding loan balances. Automobile loan servicing rights are accounted for using the amortization method. A servicing asset is established at fair value at the time of the sale. The servicing asset is then amortized against servicing income. Impairment, if any, is recognized when carrying value exceeds the fair value as determined by calculating the present value of expected net future cash flows. The primary risk characteristic for measuring servicing assets is payoff rates of the underlying loan pools. Valuation calculations rely on the predicted payoff assumption and, if actual payoff is quicker than expected, then future value would be impaired.

Changes in the carrying value of automobile loan servicing rights for the three-month and nine-month periods ended September 30, 2013 and 2012, and the fair value at the end of each period were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Carrying value, beginning of period	**$ 25,688**	$ 26,737	**$ 35,606**	$ 13,377
New servicing assets created		2,854		22,737
Amortization and other	**(4,334)**	(3,912)	**(14,252)**	(10,435)
Carrying value, end of period	**$ 21,354**	$ 25,679	**$ 21,354**	$ 25,679
Fair value, end of period	**$ 21,446**	$ 26,635	**$ 21,446**	$ 26,635
Weighted-average life (years)	**3.6**	4.3	**3.6**	4.3

A summary of key assumptions and the sensitivity of the automobile loan servicing rights value to changes in these assumptions at September 30, 2013 and December 31, 2012 follows:

	September 30, 2013			December 31, 2012		
		Decline in fair value due to			Decline in fair value due to	
(dollar amounts in thousands)	Actual	10% adverse change	20% adverse change	Actual	10% adverse change	20% adverse change
Constant prepayment rate *(annualized)*	**14.66%**	**$ (660)**	**$ (1,334)**	13.80%	$ (880)	$ (1,771)
Spread over forward interest rate swap rates	**500 bps**	**(9)**	**(18)**	500 bps	(18)	(36)

Servicing income, net of amortization of capitalized servicing assets and impairment, amounted to $2.5 million and $2.2 million for the three-month periods ending September 30, 2013, and 2012, respectively. For the nine-month periods ended September 30, 2013 and 2012, servicing income, net of amortization of capitalized servicing assets, amounted to $7.8 million and $5.6 million, respectively. The unpaid principal balance of automobile loans serviced for third parties was $1.8 billion and $2.5 billion at September 30, 2013 and December 31, 2012, respectively.

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7. GOODWILL AND OTHER INTANGIBLE ASSETS

Business segments are based on segment leadership structure, which reflects how segment performance is monitored and assessed. A rollforward of goodwill by business segment for the first nine-month period of 2013 is presented in the table below:

(dollar amounts in thousands)	Retail & Business Banking	Regional & Commercial Banking	AFCRE	WGH	Treasury/ Other	Huntington Consolidated
Balance, beginning of period	**$ 286,824**	**$ 16,169**	**$**	**$ 98,951**	**$ 42,324**	**$ 444,268**
Adjustments						
Balance, end of period	**$ 286,824**	**$ 16,169**	**$**	**$ 98,951**	**$ 42,324**	**$ 444,268**

Goodwill is not amortized but is evaluated for impairment on an annual basis at October 1 of each year or whenever events or changes in circumstances indicate the carrying value may not be recoverable. No events or changes in circumstances since the October 1, 2012, annual impairment test were noted that would indicate it was more likely than not a goodwill impairment existed.

At September 30, 2013 and December 31, 2012, Huntington s other intangible assets consisted of the following:

(dollar amounts in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
September 30, 2013			
Core deposit intangible	**$ 380,249**	**$ (327,181)**	**$ 53,068**
Customer relationship	**106,974**	**(56,739)**	**50,235**
Other	**25,164**	**(24,955)**	**209**
Total other intangible assets	**$ 512,387**	**$ (408,875)**	**$ 103,512**
December 31, 2012			
Core deposit intangible	$ 380,249	$ (302,003)	$ 78,246
Customer relationship	104,574	(50,925)	53,649
Other	25,164	(24,902)	262
Total other intangible assets	$ 509,987	$ (377,830)	$ 132,157

The estimated amortization expense of other intangible assets for the remainder of 2013 and the next five years is as follows:

(dollar amounts in thousands)	Amortization Expense
2013	$ 10,325
2014	36,711
2015	20,549
2016	7,336
2017	6,854
2018	5,983

8. OTHER LONG-TERM DEBT

In August 2013, the parent company issued $400.0 million of senior notes at 99.80% of face value. The senior note issuances mature on August 2, 2018 and have a fixed coupon rate of 2.60%. In August 2013, the Bank issued $350.0 million of senior notes at 99.865% of face value. The senior bank note issuances mature on August 2, 2016 and have a fixed coupon rate of 1.35%. Both senior note issuances may be redeemed one month prior to their maturity date at 100% of principal plus accrued and unpaid interest.

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9. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, were as follows:

	Three Months Ended September 30, 2013		
(dollar amounts in thousands)	Pretax	Tax (Expense) Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	**$ 2,975**	**$ (1,041)**	**$ 1,934**
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	**4,388**	**(1,683)**	**2,705**
Less: Reclassification adjustment for net losses (gains) included in net income	**3,023**	**(1,058)**	**1,965**
Net change in unrealized holding gains (losses) on available-for-sale debt securities	**10,386**	**(3,782)**	**6,604**
Net change in unrealized holding gains (losses) on available-for-sale equity securities	**(121)**	**45**	**(76)**
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	**26,672**	**(9,335)**	**17,337**
Less: Reclassification adjustment for net (gains) losses included in net income	**(3,085)**	**1,080**	**(2,005)**
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	**23,587**	**(8,255)**	**15,332**
Re-measurement obligation	**79,532**	**(27,836)**	**51,696**
Defined benefit pension items	**(31,672)**	**11,085**	**(20,587)**
Unrealized gains (losses) for pension and other post-retirement obligations	**47,860**	**(16,751)**	**31,109**
Total other comprehensive income (loss)	**$ 81,712**	**$ (28,743)**	**$ 52,969**

	Three Months Ended September 30, 2012		
(dollar amounts in thousands)	Pretax	Tax (Expense) Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	$ 9,322	(3,263)	6,059
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	61,074	(21,608)	39,466
Less: Reclassification adjustment for net losses (gains) included in net income	(4,169)	1,459	(2,710)
Net change in unrealized holding gains (losses) on available-for-sale debt securities	66,227	(23,412)	42,815
Net change in unrealized holding gains (losses) on available-for-sale equity securities	(26)	9	(17)
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	21,595	(7,568)	14,027
Less: Reclassification adjustment for net (gains) losses included in net income	(13,298)	4,665	(8,633)
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	8,297	(2,903)	5,394
Amortization of net actuarial loss and prior service cost included in net income	4,990	(1,747)	3,243
Total other comprehensive income	$ 79,488	$ (28,053)	$ 51,435

Nine Months Ended

	September 30, 2013		
		Tax (expense)	
(dollar amounts in thousands)	Pretax	Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	**$ 14,987**	**$ (5,245)**	**$ 9,742**
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	**(123,647)**	**43,413**	**(80,234)**
Less: Reclassification adjustment for net losses (gains) included in net income	**4,254**	**(1,489)**	**2,765**
Net change in unrealized holding gains (losses) on available-for-sale debt securities	**(104,406)**	**36,679**	**(67,727)**
Net change in unrealized holding gains (losses) on available-for-sale equity securities	**32**	**(12)**	**20**
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	**(71,579)**	**25,053**	**(46,526)**
Less: Reclassification adjustment for net (gains) losses included in net income	**(11,571)**	**4,049**	**(7,522)**
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	**(83,150)**	**29,102**	**(54,048)**
Re-measurement obligation	**79,532**	**(27,836)**	**51,696**
Defined benefit pension items	**(15,217)**	**5,326**	**(9,891)**
Unrealized gains (losses) for pension and other post-retirement obligations	**64,315**	**(22,510)**	**41,805**
Total other comprehensive income (loss)	**$ (123,209)**	**$ 43,259**	**$ (79,950)**

(dollar amounts in thousands)	Nine Months Ended September 30, 2012 Pretax	Tax (expense) Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	15,574	(5,451)	10,123
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	92,436	(32,831)	59,605
Less: Reclassification adjustment for net losses (gains) included in net income	(3,906)	1,367	(2,539)
Net change in unrealized holding gains (losses) on available-for-sale debt securities	104,104	(36,915)	67,189
Net change in unrealized holding gains (losses) on available-for-sale equity securities	361	(126)	235
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	5,139	(1,810)	3,329
Less: Reclassification adjustment for net (gains) losses included in net income	13,428	(4,689)	8,739
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	18,567	(6,499)	12,068
Amortization of net actuarial loss and prior service cost included in net income	14,968	(5,239)	9,729
Total other comprehensive income	$ 138,000	$ (48,779)	$ 89,221

The following table presents activity in accumulated other comprehensive income (loss), net of tax, for the nine-month period ended September 30, 2013:

(dollar amounts in thousands)	**Unrealized gains and (losses) on debt securities (1)**	**Unrealized gains and (losses) on equity securities**	**Unrealized gains and (losses) on cash flow hedging derivatives**	**Unrealized gains (losses) for pension and other post-retirement obligations**	**Total**
Balance, December 31, 2012	$ 38,304	$ 194	$ 47,084	$ (236,399)	$ (150,817)
Other comprehensive income before reclassifications	(70,492)	20	(46,526)	51,696	(65,302)
Amounts reclassified from accumulated OCI to earnings	2,765		(7,522)	(9,891)	(14,648)
Period change	(67,727)	20	(54,048)	41,805	(79,950)
Balance, September 30, 2013	**$ (29,423)**	**$ 214**	**$ (6,964)**	**$ (194,594)**	**$ (230,767)**

(1) Amount at December 31, 2012 includes $0.2 million of net unrealized gains on securities transferred from the available-for-sale securities portfolio to the held-to-maturity securities portfolio. The net unrealized gains will be recognized in earnings over the remaining life of the security using the effective interest method.

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The following table presents the reclassification adjustments out of accumulated OCI included in net income and the impacted line items as listed on the Unaudited Condensed Consolidated Statements of Income for the three-month and nine-month periods ended September 30, 2013:

Reclassifications out of accumulated OCI			
Accumulated OCI components	Amounts reclassified from accumulated OCI		Location of net gain (loss) reclassified from accumulated OCI into earnings
(dollar amounts in thousands)	**Three Months Ended September 30, 2013**	**Nine Months Ended September 30, 2013**	
Gains (losses) on debt securities:			
Amortization of unrealized gains (losses)	**$ 187**	$ 303	Interest income - held-to-maturity securities - taxable
Realized gain (loss) on sale of securities	**(3,125)**	(2,754)	Noninterest income - net gains (losses) on sale of securities
OTTI recorded	**(85)**	(1,803)	Noninterest income - net gains (losses) on sale of securities
	(3,023)	(4,254)	Total before tax
	1,058	1,489	Tax (expense) benefit
	$ (1,965)	$ (2,765)	Net of tax
Gains (losses) on cash flow hedging relationships:			
Interest rate contracts	**$ 3,078**	$ 11,367	Interest income - loans and leases
Interest rate contracts	**7**	204	Noninterest income - other income
	3,085	11,571	Total before tax
	(1,080)	(4,049)	Tax (expense) benefit
	$ 2,005	$ 7,522	Net of tax
Amortization of defined benefit pension and post-retirement items:			
Actuarial gains (losses)	**$ (1,192)**	$ (21,101)	Noninterest expense - personnel costs
Prior service costs		3,454	Noninterest expense - personnel costs
Curtailment	**32,864**	32,864	Noninterest expense - personnel costs
	31,672	15,217	Total before tax
	(11,085)	(5,326)	Tax (expense) benefit
	$ 20,587	$ 9,891	Net of tax

10. SHAREHOLDERS EQUITY

Share Repurchase Program

On March 14, 2013, Huntington announced that the Federal Reserve did not object to Huntington s proposed capital actions included in Huntington s capital plan submitted to the Federal Reserve in January of this year. These actions included an increase in the quarterly dividend per common share to $0.05, starting in the second quarter of 2013 and potential repurchase of up to $227 million of common stock through the first quarter of 2014. Huntington s board of directors authorized a share repurchase program consistent with Huntington s capital plan. This program replaced the previously authorized share repurchase program authorized by Huntington s board of directors in 2012.

During the three-month period ended September 30, 2013, Huntington repurchased a total of 2.0 million shares of common stock, at a weighted average share price of $8.18. Under both share repurchase programs, Huntington repurchased a total of 16.7 million shares of common stock during the nine-month period ended September 30, 2013, at a weighted average share price of $7.46.

Although Huntington has the ability to repurchase up to $136 million of additional shares of common stock through the first quarter of 2014, we intend to continue disciplined repurchase activity consistent with our annual capital plan, our capital return objectives, and market conditions especially as those conditions impact the trading price of our common stock. We do not anticipate that the pending transaction with Camco (see Note 20) will materially impact our repurchase activities except during the relatively limited time we will be required to be out of the market under the SEC s Regulation M.

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11. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings (adjusted for dividends declared on preferred stock) available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options, restricted stock units and awards, distributions from deferred compensation plans, and the conversion of Huntington s convertible preferred stock. Potentially dilutive common shares are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive. For diluted earnings per share, net income available to common shares can be affected by the conversion of Huntington s convertible preferred stock. Where the effect of this conversion would be dilutive, net income available to common shareholders is adjusted by the associated preferred dividends and deemed dividend. The calculation of basic and diluted earnings per share for each of the three-month and nine-month periods ended September 30, 2013 and 2012, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands, except per share amounts)	**2013**	2012	**2013**	2012
Basic earnings per common share:				
Net income	**$ 178,487**	$ 167,767	**$ 480,918**	$ 473,743
Preferred stock dividends	**(7,967)**	(7,983)	**(23,904)**	(24,016)
Net income available to common shareholders	**$ 170,520**	$ 159,784	**$ 457,014**	$ 449,727
Average common shares issued and outstanding	**830,398**	857,871	**835,410**	861,543
Basic earnings per common share	**$ 0.21**	$ 0.19	**$ 0.55**	$ 0.52
Diluted earnings per common share:				
Net income available to common shareholders	**$ 170,520**	$ 159,784	**$ 457,014**	$ 449,727
Effect of assumed preferred stock conversion				
Net income applicable to diluted earnings per share	**$ 170,520**	$ 159,784	**$ 457,014**	$ 449,727
Average common shares issued and outstanding	**830,398**	857,871	**835,410**	861,543
Dilutive potential common shares:				
Stock options and restricted stock units and awards	**9,254**	4,479	**7,764**	4,007
Shares held in deferred compensation plans	**1,373**	1,238	**1,350**	1,218
Conversion of preferred stock				
Dilutive potential common shares:	**10,627**	5,717	**9,114**	5,225
Total diluted average common shares issued and outstanding	**841,025**	863,588	**844,524**	866,768
Diluted earnings per common share	**$ 0.20**	$ 0.19	**$ 0.54**	$ 0.52

For the three-month periods ended September 30, 2013 and 2012, approximately 5.6 million and 23.5 million, respectively, of options to purchase shares of common stock were not included in the computation of diluted earnings per share because the effect would be antidilutive. For the nine-month periods ended September 30, 2013 and 2012, amounts not included in the computation of diluted earnings per share were 9.7 million and 24.6 million shares, respectively.

12. SHARE-BASED COMPENSATION

Huntington sponsors nonqualified and incentive share based compensation plans. These plans provide for the granting of stock options and other awards to officers, directors, and other employees. Compensation costs are included in personnel costs on the Condensed Consolidated Statements of Income. Stock options are granted at the closing market price on the date of the grant. Options granted typically vest ratably over three years or when other conditions are met. Stock options, which represented a significant portion of our grant values, have no intrinsic value until the stock price increases. Options granted prior to May 2004 have a term of ten years. All options granted after May 2004 have a term of seven years.

In 2012, shareholders approved the Huntington Bancshares Incorporated 2012 Long-Term Incentive Plan (the Plan) which authorized 51.0 million shares for future grants. The Plan is the only active plan under which Huntington is currently granting share based options and awards. At September 30, 2013, 24.2 million shares from the Plan were available for future grants. Huntington issues shares to fulfill stock

option exercises and restricted stock unit and award vesting from available authorized common shares. At September 30, 2013, the Company believes there are adequate authorized common shares to satisfy anticipated stock option exercises and restricted stock unit and award vesting in 2013.

Huntington uses the Black-Scholes option pricing model to value share-based compensation expense. Forfeitures are estimated at the date of grant based on historical rates and reduce the compensation expense recognized. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant. Expected volatility is based on the estimated volatility of Huntington s stock over the expected term of the option. The expected dividend yield is based on the dividend rate and stock price at the date of the grant.

The following table illustrates the weighted-average assumptions used in the option-pricing model for options granted for the three-month and nine-month periods ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	**2013**	2012
Assumptions				
Risk-free interest rate	**1.75%**	0.87%	**0.79%**	1.10%
Expected dividend yield	**2.46**	2.46	**2.83**	2.37
Expected volatility of Huntington s common stock	**35.0**	35.0	**35.0**	34.9
Expected option term (years)	**5.5**	6.0	**5.5**	6.0
Weighted-average grant date fair value per share	**$ 2.17**	$ 1.68	**$ 1.71**	$ 1.79

The following table illustrates total share-based compensation expense and related tax benefit for the three-month and nine-month periods ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Share-based compensation expense	**$ 9,746**	$ 7,138	**$ 27,643**	$ 19,958
Tax benefit	**3,278**	2,366	**9,311**	6,627

Huntington s stock option activity and related information for the nine-month period ended September 30, 2013, was as follows:

(amounts in thousands, except years and per share amounts)	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2013	26,768	$ 8.87		
Granted	3,291	7.07		
Exercised	(1,914)	5.75		
Forfeited/expired	(4,075)	16.20		
Outstanding at September 30, 2013	**24,070**	**$ 7.63**	**4.4**	**$ 43,973**
Vested and expected to vest at September 30, 2013 (1)	**8,982**	**$ 6.52**	**5.6**	**$ 15,588**
Exercisable at September 30, 2013	**14,002**	**$ 8.41**	**3.6**	**$ 26,696**

(1) The number of options expected to vest includes an estimate of expected forfeitures.

The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the in-the-money option exercise price. For the nine-month periods ended September 30, 2013 and 2012, cash received for the exercises of stock options was $11.0 million and $1.8 million, respectively. The tax benefit realized from stock option exercises was $1.3 million and $0.3 million for each respective period.

Huntington also grants restricted stock, restricted stock units, performance share awards and other stock-based awards. Restricted stock units and awards are issued at no cost to the recipient, and can be settled only in shares at the end of the vesting period. Restricted stock awards provide the holder with full voting rights and cash dividends during the vesting period. Restricted stock units do not provide the holder with voting rights or cash dividends during the vesting period, but do accrue a dividend equivalent that is paid upon vesting, and are subject to certain service restrictions. Performance share awards are payable contingent upon Huntington achieving certain predefined performance objectives over the

three-year measurement period. The fair value of these awards is the closing market price of Huntington s common stock on the date of award.

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The following table summarizes the status of Huntington s restricted stock units and performance share awards as of September 30, 2013, and activity for the nine-month period ended September 30, 2013:

(amounts in thousands, except per share amounts)	Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share	Performance Share Awards	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2013	8,484	$ 6.40	694	$ 6.77
Granted	6,859	7.13	1,125	7.06
Vested	(2,335)	6.33		
Forfeited	(686)	6.70	(170)	6.90
Nonvested at September 30, 2013	**12,322**	**$ 6.80**	**1,649**	**$ 6.95**

The weighted-average grant date fair value of nonvested shares granted for the nine-month periods ended September 30, 2013 and 2012, were $7.12 and $6.71, respectively. The total fair value of awards vested was $14.8 million and $6.9 million during the nine-month periods ended September 30, 2013, and 2012, respectively. As of September 30, 2013, the total unrecognized compensation cost related to nonvested awards was $62.8 million with a weighted-average expense recognition period of 2.6 years.

13. BENEFIT PLANS

Huntington sponsors the Plan, a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The Plan provides benefits based upon length of service and compensation levels. The funding policy of Huntington is to contribute an annual amount that is at least equal to the minimum funding requirements but not more than the amount deductible under the Internal Revenue Code. There is no required minimum contribution for 2013.

During the 2013 third quarter, the board of directors approved, and management communicated, a curtailment of the Company s pension plan effective December 31, 2013. As a result of the accounting treatment for the unamortized prior service pension cost and the change in the projected benefit obligation, a one-time, non-cash, pre-tax gain of approximately $33.9 million, $0.03 per share was recognized in the 2013 third quarter. The net gain includes a gain of $34.6 million associated with the plan and a loss of $0.7 million associated with the SERP plan.

In addition, Huntington has an unfunded defined benefit post-retirement plan that provides certain healthcare and life insurance benefits to retired employees who have attained the age of 55 and have at least 10 years of vesting service under this plan. For any employee retiring on or after January 1, 1993, post-retirement healthcare benefits are based upon the employee s number of months of service and are limited to the actual cost of coverage. Life insurance benefits are a percentage of the employee s base salary at the time of retirement, with a maximum of $50,000 of coverage. The employer paid portion of the post-retirement health and life insurance plan was eliminated for employees retiring on and after March 1, 2010. Eligible employees retiring on and after March 1, 2010, who elect retiree medical coverage, will pay the full cost of this coverage. Huntington will not provide any employer paid life insurance to employees retiring on and after March 1, 2010. Eligible employees will be able to convert or port their existing life insurance at their own expense under the same terms that are available to all terminated employees.

The following table shows the components of net periodic benefit expense of the Plan and the Post-Retirement Benefit Plan:

	Pension Benefits Three Months Ended September 30,		Post Retirement Benefits Three Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Service cost	**$ 5,428**	$ 6,217	**$**	$
Interest cost	**7,749**	7,304	**216**	338
Expected return on plan assets	**(11,768)**	(11,432)		

Amortization of transition asset		(1)		
Amortization of prior service cost		(1,442)	**(339)**	(339)
Amortization of gain	**1,738**	6,739	**(150)**	(83)
Curtailments	**(34,613)**			
Settlements	**2,000**	1,750		
Recognized net actuarial loss	**1,061**			
Benefit expense	**$ (28,405)**	$ 9,135	**$ (273)**	$ (84)

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(dollar amounts in thousands)	Pension Benefits Nine Months Ended September 30, 2013	2012	Post Retirement Benefits Nine Months Ended September 30, 2013	2012
Service cost	**$ 19,696**	$ 18,651	**$**	$
Interest cost	**22,363**	21,912	**647**	1,013
Expected return on plan assets	**(35,950)**	(34,297)		
Amortization of transition asset		(3)		
Amortization of prior service cost	**(2,884)**	(4,326)	**(1,015)**	(1,015)
Amortization of gain	**21,306**	20,218	**(450)**	(249)
Curtailments	**(34,613)**			
Settlements	**5,000**	5,250		
Recognized net actuarial loss	**1,061**			
Benefit expense	**$ (4,021)**	$ 27,405	**$ (818)**	$ (251)

The Bank, as trustee, held all Plan assets at September 30, 2013 and December 31, 2012. The Plan assets consisted of investments in a variety of fixed income and equity Huntington mutual funds and Huntington common stock as follows:

(dollar amounts in thousands)	Fair Value September 30, 2013		December 31, 2012	
Cash	**$ 3,259**	**1%**	$ 22	%
Cash equivalents:				
Huntington funds money market			6,012	1
Fixed income:				
Huntington funds fixed income funds	**78,692**	**12**	84,688	13
Corporate obligations	**173,898**	**27**	149,241	24
U.S. Government Obligations	**52,752**	**8**	36,595	6
U.S. Government Agencies	**6,326**	**1**	7,511	1
Equities:				
Huntington funds	**281,223**	**45**	312,479	49
Exchange Traded Funds	**2,799**			
Huntington common stock	**36,134**	**6**	37,069	6
Other common stock	**381**			
Limited Partnerships	**176**			
Fair value of plan assets	**$ 635,640**	**100%**	$ 633,617	100%

Investments of the Plan are accounted for at cost on the trade date and are reported at fair value. All of the Plan s investments at September 30, 2013, are classified as Level 1 within the fair value hierarchy, except for corporate obligations, U.S. government obligations, and U.S. government agencies, which are classified as level 2. In general, investments of the Plan are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the Plan assets.

The investment objective of the Plan is to maximize the return on Plan assets over a long time period, while meeting the Plan obligations. At September 30, 2013, Plan assets were invested 1% in cash and cash equivalents, 51% in equity investments, and 48% in bonds, with an average duration of 12 years on bond investments. Although it may fluctuate with market conditions, Management has targeted a long-term allocation of Plan assets of 20% to 50% in equity investments and 80% to 50% in bond investments. The allocation of Plan assets between equity investments and fixed income investments will change from time to time with the allocation to fixed income investments increasing as the funding level increases.

Huntington also sponsors other nonqualified retirement plans, the most significant being the SERP and the SRIP. The SERP provides certain former officers and directors, and the SRIP provides certain current and former officers and directors of Huntington and its subsidiaries with defined pension benefits in excess of limits imposed by federal tax law. During the 2013 third quarter, the board of directors approved, and management communicated, a curtailment of the Company s SRIP plan effective December 31, 2013.

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Huntington has a defined contribution plan that is available to eligible employees. Huntington matches participant contributions, up to the first 4% of base pay contributed to the Plan.

The following table shows the costs of providing the SERP, SRIP, and defined contribution plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
SERP & SRIP	**$ 1,570**	$ 829	**$ 3,949**	$ 2,496
Defined contribution plan	**4,671**	4,181	**13,614**	12,767
Benefit cost	**$ 6,241**	$ 5,010	**$ 17,563**	$ 15,263

14. FAIR VALUES OF ASSETS AND LIABILITIES

Huntington follows the fair value accounting guidance under ASC 820 and ASC 825.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level valuation hierarchy was established for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Transfers in and out of Level 1, 2, or 3 are recorded at fair value at the beginning of the reporting period.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mortgage loans held for sale

Huntington elected to apply the fair value option for mortgage loans originated with the intent to sell which are included in loans held for sale. Mortgage loans held for sale are classified as Level 2 and are estimated using security prices for similar product types.

Available-for-sale securities and trading account securities

Securities accounted for at fair value include both the available-for-sale and trading portfolios. Huntington uses prices obtained from third party pricing services and recent trades to determine the fair value of securities. AFS and trading securities are classified as Level 1 using quoted market prices (unadjusted) in active markets for identical securities that Huntington has the ability to access at the measurement date. 1% of the positions in these portfolios are Level 1, and consist of U.S. Treasury securities and money market mutual funds. When quoted market prices are not available, fair values are classified as Level 2 using quoted prices for similar assets in active markets, quoted prices of identical or similar assets in markets that are not active, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the financial instrument. 96% of the positions in these portfolios are Level 2, and consist of U.S. Government and agency debt securities, agency mortgage backed securities, asset-backed securities, municipal securities and other securities. For both Level 1 and Level 2 securities, management uses various methods and techniques to corroborate prices obtained from the pricing service, including reference to dealer or other market quotes, and by reviewing valuations of comparable instruments. If relevant market prices are limited or unavailable, valuations may require significant management judgment or estimation to determine fair value, in which case the fair values are classified as Level 3. 3% of our

positions are Level 3, and consist of non-agency ALT-A asset-backed securities, private-label CMO securities, pooled-trust-preferred CDO securities and municipal securities. A significant change in the unobservable inputs for these securities may result in a significant change in the ending fair value measurement of these securities.

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The Alt-A, private label CMO and pooled-trust-preferred securities portfolios are classified as Level 3 and as such use significant estimates to determine the fair value of these securities which results in greater subjectivity. The Alt-A and private label CMO securities portfolios are subjected to a monthly review of the projected cash flows, while the cash flows of the pooled-trust-preferred securities portfolio are reviewed quarterly. These reviews are supported with analysis from independent third parties, and are used as a basis for impairment analysis.

Alt-A mortgage-backed and private-label CMO securities are collateralized by first-lien residential mortgage loans. The securities valuation methodology incorporates values obtained from a third party pricing specialist using a discounted cash flow approach and a proprietary pricing model and includes assumptions management believes market participants would use to value the securities under current market conditions. The model uses inputs such as estimated prepayment speeds, losses, recoveries, default rates that are implied by the underlying performance of collateral in the structure or similar structures, house price depreciation / appreciation rates that are based upon macroeconomic forecasts and discount rates that are implied by market prices for similar securities with similar collateral structures.

Pooled-trust-preferred securities are CDOs backed by a pool of debt securities issued by financial institutions. The collateral generally consists of trust-preferred securities and subordinated debt securities issued by banks, bank holding companies, and insurance companies. A full cash flow analysis is used to estimate fair values and assess impairment for each security within this portfolio. We engage a third party pricing specialist with direct industry experience in pooled-trust-preferred securities valuations to provide assistance in estimating the fair value and expected cash flows for each security in this portfolio. The PD of each issuer and the market discount rate are the most significant inputs in determining fair value. Management evaluates the PD assumptions provided by the third party pricing specialist by comparing the current PD to the assumptions used the previous quarter, actual defaults and deferrals in the current period, and trend data on certain financial ratios of the issuers. Huntington also evaluates the assumptions related to discount rates. Relying on cash flows is necessary because there was a lack of observable transactions in the market and many of the original sponsors or dealers for these securities are no longer able to provide a fair value that is compliant with ASC 820.

Huntington utilizes the same processes to determine the fair value of investment securities classified as held-to-maturity for impairment evaluation purposes.

Automobile loans

Effective January 1, 2010, Huntington consolidated an automobile loan securitization that previously had been accounted for as an off-balance sheet transaction. As a result, Huntington elected to account for the automobile loan receivables and the associated notes payable at fair value per guidance supplied in ASC 825. The automobile loan receivables are classified as Level 3. The key assumptions used to determine the fair value of the automobile loan receivables included projections of expected losses and prepayment of the underlying loans in the portfolio and a market assumption of interest rate spreads. Certain interest rates are available from similarly traded securities while other interest rates are developed internally based on similar asset-backed security transactions in the market.

MSRs

MSRs do not trade in an active market with readily observable prices. Accordingly, the fair value of these assets is classified as Level 3. Huntington determines the fair value of MSRs using an income approach model based upon our month-end interest rate curve and prepayment assumptions. The model, which is operated and maintained by a third party, utilizes assumptions to estimate future net servicing income cash flows, including estimates of time decay, payoffs, and changes in valuation inputs and assumptions. Servicing brokers and other sources of information (e.g. discussion with other mortgage servicers and industry surveys) are used to obtain information on market practice and assumptions. On at least a quarterly basis, third party marks are obtained from at least one service broker. Huntington reviews the valuation assumptions against this market data for reasonableness and adjusts the assumptions if deemed appropriate. Any recommended change in assumptions and / or inputs are presented for review to the Mortgage Price Risk Subcommittee for final approval.

Derivatives

Derivatives classified as Level 1 consist of exchange traded options and forward commitments to deliver mortgage-backed securities which are valued using quoted prices. Asset and liability conversion swaps and options, and interest rate caps are classified as Level 2. These derivative positions are valued using a discounted cash flow method that incorporates current market interest rates. Derivatives classified as Level 3 consist primarily of interest rate lock agreements related to mortgage loan commitments. The determination of fair value includes assumptions related to the likelihood that a commitment will ultimately result in a closed loan, which is a significant unobservable assumption. A significant increase or decrease in the external market price would result in a significantly higher or lower fair value measurement.

Securitization trust notes payable

Consists of certain securitization trust notes payable related to the automobile loan receivables measured at fair value. The notes payable are classified as Level 2 and are valued based on interest rates for similar financial instruments.

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Assets and Liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis at September 30, 2013 and December 31, 2012 are summarized below:

(dollar amounts in thousands)	Fair Value Measurements at Reporting Date Using Level 1	Level 2	Level 3	Netting Adjustments (1)	**Balance at September 30, 2013**
Assets					
Loans held for sale	**$**	**$ 313,099**	**$**	**$**	**$ 313,099**
Trading account securities:					
U.S. Treasury securities					
Federal agencies: Mortgage-backed					
Federal agencies: Other agencies					
Municipal securities		**3,282**			**3,282**
Other securities	**70,447**	**438**			**70,885**
	70,447	**3,720**			**74,167**
Available-for-sale and other securities:					
U.S. Treasury securities	**51,554**				**51,554**
Federal agencies: Mortgage-backed		**3,221,711**			**3,221,711**
Federal agencies: Other agencies		**339,419**			**339,419**
Municipal securities		**507,623**	**58,855**		**566,478**
Private-label CMO		**18,435**	**32,331**		**50,766**
Asset-backed securities		**1,013,425**	**114,902**		**1,128,327**
Covered bonds		**286,924**			**286,924**
Corporate debt		**460,972**			**460,972**
Other securities	**19,294**	**3,774**			**23,068**
	70,848	**5,852,283**	**206,088**		**6,129,219**
Automobile loans			**69,780**		**69,780**
MSRs			**34,106**		**34,106**
Derivative assets	**13,340**	**252,131**	**8,127**	**(54,892)**	**218,706**
Liabilities					
Derivative liabilities	**23,755**	**136,540**	**542**	**(29,488)**	**131,349**
Other liabilities					

(dollar amounts in thousands)	Fair Value Measurements at Reporting Date Using Level 1	Level 2	Level 3	Netting Adjustments (1)	Balance at December 31, 2012
Assets					
Mortgage loans held for sale	$	$ 452,949	$	$	$ 452,949
Trading account securities:					
U.S. Treasury securities					
Federal agencies: Mortgage-backed					
Federal agencies: Other agencies					
Municipal securities		15,218			15,218
Other securities	75,729	258			75,987
	75,729	15,476			91,205
Available-for-sale and other securities:					
U.S. Treasury securities	52,311				52,311
Federal agencies: Mortgage-backed		4,264,670			4,264,670
Federal agencies: Other agencies		359,626			359,626
Municipal securities		439,772	61,228		501,000
Private-label CMO		22,793	48,775		71,568

Asset-backed securities	919,046	110,037	1,029,083
Covered bonds	290,625		290,625

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Corporate debt		668,142			668,142
Other securities	17,177	3,898			21,075
	69,488	6,968,572	220,040		7,258,100
Automobile loans			142,762		142,762
MSRs			35,202		35,202
Derivative assets	6,368	465,517	13,180	(99,368)	385,697
Liabilities					
Derivative liabilities	6,813	228,312	478	(83,415)	152,188
Other liabilities					

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and cash collateral held or placed with the same counterparties.

The tables below present a rollforward of the balance sheet amounts for the three-month and nine-month periods ended September 30, 2013 and 2012, for financial instruments measured on a recurring basis and classified as Level 3. The classification of an item as Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement. However, Level 3 measurements may also include observable components of value that can be validated externally. Accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology.

	Level 3 Fair Value Measurements Three Months Ended September 30, 2013					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	**$ 37,544**	**$ (4,226)**	**$ 58,100**	**$ 32,926**	**$ 119,861**	**$ 91,140**
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						
Included in earnings	**(3,438)**	**11,568**		**32**	**(25)**	**(617)**
Included in OCI			**2,595**	**891**	**10,535**	
Purchases						
Sales					**(8,281)**	
Repayments						**(20,743)**
Issues						
Settlements		**243**	**(1,840)**	**(1,518)**	**(7,188)**	
Closing balance	**$ 34,106**	**$ 7,585**	**$ 58,855**	**$ 32,331**	**$ 114,902**	**$ 69,780**
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	**$ (3,437)**	**$ 11,568**	**$ 2,595**	**$ 923**	**$ (25)**	**$ (617)**

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	Level 3 Fair Value Measurements Three Months Ended September 30, 2012					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	$ 45,061	$ 12,391	$ 78,151	$ 67,145	$ 119,674	$ 210,031
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						
Included in earnings	(8,440)	7,481		93	39	(546)
Included in OCI				2,632	10,484	
Purchases						
Sales				(15,183)	(20,852)	
Repayments						(35,846)
Issues						
Settlements		(1,904)	(11,815)	(2,997)	(3,068)	
Closing balance	$ 36,621	$ 17,968	$ 66,336	$ 51,690	$ 106,277	$ 173,639
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	$ (8,440)	$ 5,577	$	$ 2,632	$ 10,484	$ (546)

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Level 3 Fair Value Measurements
Nine Months Ended September 30, 2013

			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	**$ 35,202**	**$ 12,702**	**$ 61,228**	**$ 48,775**	**$ 110,037**	**$ 142,762**
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						
Included in earnings	**(1,096)**	**(1,591)**		**(207)**	**(2,321)**	**16**
Included in OCI			**3,287**	**968**	**31,220**	
Purchases						
Sales				**(10,254)**	**(8,281)**	
Repayments						**(72,998)**
Issues						
Settlements		**(3,526)**	**(5,660)**	**(6,951)**	**(15,753)**	
Closing balance	**$ 34,106**	**$ 7,585**	**$ 58,855**	**$ 32,331**	**$ 114,902**	**$ 69,780**
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	**$ (1,096)**	**$ (1,591)**	**$ 3,287**	**$ (207)**	**$ (2,321)**	**$ 16**

Level 3 Fair Value Measurements
Nine Months Ended September 30, 2012

			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	$ 65,001	$ (169)	$ 95,092	$ 72,364	$ 121,698	$ 296,250
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						
Included in earnings	(28,380)	13,702		(912)	(97)	(1,196)
Included in OCI				7,511	15,663	
Purchases						
Sales				(15,183)	(20,852)	
Repayments						(121,415)
Issues						
Settlements		4,435	(28,756)	(12,090)	(10,135)	
Closing balance	$ 36,621	$ 17,968	$ 66,336	$ 51,690	$ 106,277	$ 173,639
Change in unrealized gains or losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	$ (28,380)	$ 11,084	$	$ 7,511	$ 15,663	$ (1,196)

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The table below summarizes the classification of gains and losses due to changes in fair value, recorded in earnings for Level 3 assets and liabilities for the three-month and nine-month periods ended September 30, 2013 and 2012:

	Level 3 Fair Value Measurements Three Months Ended September 30, 2013					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	**$ (3,438)**	**$ 11,568**	**$**	**$**	**$**	**$**
Securities gains (losses)					**(86)**	
Interest and fee income				**32**	**61**	**(1,032)**
Noninterest income						**415**
Total	**$ (3,438)**	**$ 11,568**	**$**	**$ 32**	**$ (25)**	**$ (617)**

	Level 3 Fair Value Measurements Three Months Ended September 30, 2012					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	$ (8,440)	$ 7,481	$	$	$	$
Securities gains (losses)				(116)		
Interest and fee income				209	39	(1,451)
Noninterest income						905
Total	$ (8,440)	$ 7,481	$	$ 93	$ 39	$ (546)

	Level 3 Fair Value Measurements Nine Months Ended September 30, 2013					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	**$ (1,096)**	**$ (1,591)**	**$**	**$**	**$**	**$**
Securities gains (losses)				**(334)**	**(1,465)**	
Interest and fee income				**127**	**(856)**	**(3,056)**
Noninterest income						**3,072**
Total	**$ (1,096)**	**$ (1,591)**	**$**	**$ (207)**	**$ (2,321)**	**$ 16**

	Level 3 Fair Value Measurements Nine Months Ended September 30, 2012
	Available-for-sale securities
(dollar amounts in thousands)	MSRs

		Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	$ (28,380)	$ 13,702		$	$	$
Securities gains (losses)				(1,601)		
Interest and fee income				689	(97)	(5,740)
Noninterest income						4,544
Total	$ (28,380)	$ 13,702	$	$ (912)	$ (97)	$ (1,196)

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Assets and liabilities under the fair value option

The following table presents the fair value and aggregate principal balance of certain assets and liabilities under the fair value option:

	September 30, 2013			December 31, 2012		
(dollar amounts in thousands)	Fair value carrying amount	Aggregate unpaid principal	Difference	Fair value carrying amount	Aggregate unpaid principal	Difference
Assets						
Mortgage loans held for sale	**$ 313,099**	**$ 305,290**	**$ 7,809**	$ 452,949	$ 438,254	$ 14,695
Automobile loans	**69,780**	**67,920**	**1,860**	142,762	140,916	1,846
Liabilities						
Securitization trust notes payable	**$**	**$**	**$**	$	$	$

The following tables present the net gains (losses) from fair value changes, including net gains (losses) associated with instrument specific credit risk for the three-month and nine-month periods ended September 30, 2013 and 2012:

	Net gains (losses) from fair value changes			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Assets				
Mortgage loans held for sale	**$ 18,459**	$ 9,224	**$ (6,885)**	$ 12,913
Automobile loans	**(618)**	(546)	**14**	(1,197)
Liabilities				
Securitization trust notes payable		(101)		(2,023)

	Gains (losses) included in fair value changes associated with instrument specific credit risk			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Assets				
Automobile loans	**$ 468**	$ 1,137	**$ 1,620**	$ 3,715

Assets and Liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities may be required to be measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition. These assets and liabilities are not measured at fair value on an on-going basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. At September 30, 2013, assets measured at fair value on a nonrecurring basis were as follows:

		Fair Value Measurements Using			
(dollar amounts in thousands)	Fair Value at September 30, 2013	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Gains/(Losses) For the Nine Months Ended September 30, 2013

Impaired loans	$ **36,326**	$	$	$ **36,326**	$ **(20,004)**
Accrued income and other assets	**29,154**			**29,154**	**(1,165)**

Periodically, Huntington records nonrecurring adjustments of collateral-dependent loans measured for impairment when establishing the ACL. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. Appraisals are generally obtained to support the fair value of the collateral and incorporate measures such as recent sales prices for comparable properties and cost of construction. In cases where the carrying value exceeds the fair value of the collateral less cost to sell, an impairment charge is recognized. At September 30, 2013, Huntington identified $36.3 million of impaired loans for which the fair value is recorded based upon collateral value. For the nine-month period ended September 30, 2013, nonrecurring fair value impairment of $20.0 million was recorded within the provision for credit losses.

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Other real estate owned properties are initially valued based on appraisals and third party price opinions, less estimated selling costs. At September 30, 2013, Huntington had $29.2 million of OREO assets. For the nine-month period ended September 30, 2013, fair value losses of $1.2 million were recorded within noninterest expense.

Significant unobservable inputs for assets and liabilities measured at fair value on a recurring and nonrecurring basis

The table below presents quantitative information about the significant unobservable inputs for assets and liabilities measured at fair value on a recurring and nonrecurring basis at September 30, 2013 and December 31, 2012:

Quantitative Information about Level 3 Fair Value Measurements

(dollar amounts in thousands)	Fair Value at September 30, 2013	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)
MSRs	$ 34,106	Discounted cash flow	Constant prepayment rate (CPR)	7.0% - 35.0% (12.0%)
			Spread over forward interest rate swap rates	-431 - 4,569 (1,236)
Derivative assets	8,127	Consensus Pricing	Net market price	-4.5% - 12.1% (2.8%)
Derivative liabilities	542		Estimated Pull thru %	50.0% - 89.0% (73.0%)
Municipal securities	58,855	Discounted cash flow	Discount rate	1.7% - 7.0% (2.7%)
Private-label CMO	32,331	Discounted cash flow	Discount rate	3.2% - 8.4% (6.5%)
			Constant prepayment rate (CPR)	5.7% - 26.7% (13.0%)
			Probability of default	0.1% - 4.0% (1.3%)
			Loss Severity	8.0% - 69.0% (46.4%)
Asset-backed securities	114,902	Discounted cash flow	Discount rate	3.7% - 15.5% (8.4%)
			Constant prepayment rate (CPR)	5.7% - 5.7% (5.7%)
			Cumulative prepayment rate	0.0% - 100.0% (15.7%)
			Constant default	1.4% - 4.0% (2.8%)
			Cumulative default	0.7% - 100.0% (17.4%)
			Loss given default	20.0% - 100.0% (94.1%)
			Cure given deferral	0.0% - 75.0% (37.2%)
			Loss severity	49.0% - 69.0% (63.6%)
Automobile loans	69,780	Discounted cash flow	Constant prepayment rate (CPR)	15.6%
			Discount rate	0.3% - 5.0% (1.5%)
Impaired loans	36,326	Appraisal value	NA	NA
Other real estate owned	29,154	Appraisal value	NA	NA

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Quantitative Information about Level 3 Fair Value Measurements

(dollar amounts in thousands)	Fair Value at December 31, 2012	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)
MSRs	$35,202	Discounted cash flow	Constant prepayment rate (CPR)	10.0% - 31.0% (20.0%)
			Spread over forward interest rate swap rates	-568 - 4,552 (1,288)
Derivative assets	13,180	Consensus Pricing	Net market price	-2.3% - 10.8% (3.0%)
Derivative liabilities	478		Estimated Pull thru %	38.0% - 89.0% (75.0%)
Municipal securities	61,228	Discounted cash flow	Discount rate	1.7% - 12.0% (3.1%)
Private-label CMO	48,775	Discounted cash flow	Discount rate	3.0% - 8.5% (6.2%)
			Constant prepayment rate (CPR)	5.1% - 26.7% (14.8%)
			Probability of default	0.1% - 4.0% (1.0%)
			Loss Severity	0.0% - 64.0% (27.8%)
Asset-backed securities	110,037	Discounted cash flow	Discount rate	4.5% - 16.6% (9.0%)
			Constant prepayment rate (CPR)	5.1% - 9.8% (5.3%)
			Cumulative prepayment rate	0.0% - 100.0% (6.9%)
			Constant default	0.3% - 4.0% (2.8%)
			Cumulative default	1.1% - 100.0% (20.1%)
			Loss given default	85.0% - 100.0% (92.4%)
			Cure given deferral	0.0% - 90.0% (34.7%)
			Loss severity	20.0% - 72.0% (64.9%)
Automobile loans	142,762	Discounted cash flow	Constant prepayment rate (CPR)	15.6%
			Discount rate	0.8% - 5.0% (4.0%)
Impaired loans	150,873	Appraisal value	NA	NA
Other real estate owned	28,097	Appraisal value	NA	NA

The following provides a general description of the impact of a change in an unobservable input on the fair value measurement and the interrelationship between unobservable inputs, where relevant/significant. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below.

A significant change in the unobservable inputs may result in a significant change in the ending fair value measurement of Level 3 instruments. In general, prepayment rates increase when market interest rates decline and decrease when market interest rates rise and higher prepayment rates generally result in lower fair values for MSR assets, Private-label CMO securities, Asset-backed securities, and automobile loans.

Credit loss estimates, such as probability of default, constant default, cumulative default, loss given default, cure given deferral, and loss severity, are driven by the ability of the borrowers to pay their loans and the value of the underlying collateral and are impacted by changes in macroeconomic conditions, typically increasing when economic conditions worsen and decreasing when conditions improve. An increase in the estimated prepayment rate typically results in a decrease in estimated credit losses and vice versa. Higher credit loss estimates generally result in lower fair values. Credit spreads generally increase when liquidity risks and market volatility increase and decrease when liquidity conditions and market volatility improve.

Discount rates and spread over forward interest rate swap rates typically increase when market interest rates increase and/or credit and liquidity risks increase and decrease when market interest rates decline and/or credit and liquidity conditions improve. Higher discount rates and credit spreads generally result in lower fair market values.

Net market price and pull through percentages generally increase when market interest rates increase and decline when market interest rates decline. Higher net market price and pull through percentages generally result in higher fair values.

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Fair values of financial instruments

The following table provides the carrying amounts and estimated fair values of Huntington s financial instruments that are carried either at fair value or cost at September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
(dollar amounts in thousands)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash and short-term assets	**$ 1,170,758**	**$ 1,170,758**	$ 1,333,727	$ 1,333,727
Trading account securities	**74,167**	**74,167**	91,205	91,205
Loans held for sale	**345,621**	**345,621**	764,309	773,013
Available-for-sale and other securities	**6,446,681**	**6,446,681**	7,566,175	7,566,175
Held-to-maturity securities	**2,236,121**	**2,217,359**	1,743,876	1,794,105
Net loans and leases	**41,889,803**	**39,786,532**	39,959,350	38,401,965
Derivatives	**218,706**	**218,706**	385,697	385,697
Financial Liabilities:				
Deposits	**46,564,046**	**47,307,759**	46,252,683	46,330,715
Short-term borrowings	**660,932**	**651,752**	589,814	584,671
Federal Home Loan Bank advances	**333,352**	**333,631**	1,008,959	1,008,959
Other long-term debt	**904,668**	**918,390**	158,784	156,719
Subordinated notes	**1,111,598**	**1,021,507**	1,197,091	1,183,827
Derivatives	**131,349**	**131,349**	152,188	152,188

The following table presents the level in the fair value hierarchy for the estimated fair values of only Huntington s financial instruments that are not already on the Unaudited Condensed Consolidated Balance Sheets at fair value at September 30, 2013 and December 31, 2012:

	Estimated Fair Value Measurements at Reporting Date Using			**Balance at**
(dollar amounts in thousands)	Level 1	Level 2	Level 3	**September 30, 2013**
Financial Assets				
Loans held for sale	**$**	**$**	**$**	**$**
Held-to-maturity securities		**2,217,359**		**2,217,359**
Net loans and leases			**39,716,961**	**39,716,961**
Financial liabilities				
Deposits		**40,854,625**	**6,453,134**	**47,307,759**
Short-term borrowings			**651,752**	**651,752**
Federal Home Loan Bank advances			**333,631**	**333,631**
Other long-term debt			**918,390**	**918,390**
Subordinated notes			**1,021,507**	**1,021,507**

	Estimated Fair Value Measurements at Reporting Date Using			Balance at
(dollar amounts in thousands)	Level 1	Level 2	Level 3	December 31, 2012
Financial Assets				
Loans held for sale	$	$	$	$
Held-to-maturity securities		2,166,749		2,166,749
Net loans and leases			39,265,242	39,265,242
Financial liabilities				
Deposits		40,542,678	5,872,908	46,415,586
Short-term borrowings			623,551	623,551
Other long-term debt			154,578	154,578
Subordinated notes			1,129,481	1,129,481

The short-term nature of certain assets and liabilities result in their carrying value approximating fair value. These include trading account securities, customers acceptance liabilities, short-term borrowings, bank acceptances outstanding, FHLB advances, and cash and short-term assets, which include cash and due from banks, interest-bearing deposits in banks, and federal funds sold and securities purchased under resale agreements. Loan commitments and letters-of-credit generally have short-term, variable-rate features and contain clauses that limit Huntington s

exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value. Not all the financial instruments listed in the table above are subject to the disclosure provisions of ASC Topic 820.

Certain assets, the most significant being operating lease assets, bank owned life insurance, and premises and equipment, do not meet the definition of a financial instrument and are excluded from this disclosure. Similarly, mortgage and nonmortgage servicing rights, deposit base, and other customer relationship intangibles are not considered financial instruments and are not included above. Accordingly, this fair value information is not intended to, and does not, represent Huntington s underlying value. Many of the assets and liabilities subject to the disclosure requirements are not actively traded, requiring fair values to be estimated by Management. These estimations necessarily involve the use of judgment about a wide variety of factors, including but not limited to, relevancy of market prices of comparable instruments, expected future cash flows, and appropriate discount rates.

The following methods and assumptions were used by Huntington to estimate the fair value of the remaining classes of financial instruments:

Held-to-maturity securities

Fair values are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, and interest rate spreads on relevant benchmark securities.

Loans and direct financing leases

Variable-rate loans that reprice frequently are based on carrying amounts, as adjusted for estimated credit losses. The fair values for other loans and leases are estimated using discounted cash flow analyses and employ interest rates currently being offered for loans and leases with similar terms. The rates take into account the position of the yield curve, as well as an adjustment for prepayment risk, operating costs, and profit. This value is also reduced by an estimate of expected losses and the credit risk associated in the loan and lease portfolio. The valuation of the loan portfolio reflected discounts that Huntington believed are consistent with transactions occurring in the marketplace.

Deposits

Demand deposits, savings accounts, and money market deposits are, by definition, equal to the amount payable on demand. The fair values of fixed-rate time deposits are estimated by discounting cash flows using interest rates currently being offered on certificates with similar maturities.

Debt

Fixed-rate, long-term debt is based upon quoted market prices, which are inclusive of Huntington s credit risk. In the absence of quoted market prices, discounted cash flows using market rates for similar debt with the same maturities are used in the determination of fair value.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recorded in the Unaudited Condensed Consolidated Balance Sheet as either an asset or a liability (in accrued income and other assets or accrued expenses and other liabilities, respectively) and measured at fair value.

Derivatives used in Asset and Liability Management Activities

Huntington engages in balance sheet hedging activity, principally for asset liability management purposes, to convert fixed rate assets or liabilities into floating rate or vice versa. Balance sheet hedging activity is arranged to receive hedge accounting treatment and is classified as either fair value or cash flow hedges. Fair value hedges are purchased to convert deposits and subordinated and other long-term debt from fixed-rate obligations to floating rate. For cash flow hedges, interest rate swap contracts were entered into that pay fixed-rate interest in exchange for the receipt of variable-rate interest without the exchange of the contract s underlying notional amount, which effectively converts a portion of the floating-rate debt to a fixed-rate debt. Cash flow hedges are also used to convert floating rate loans made to customers into fixed rate loans.

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The following table presents the gross notional values of derivatives used in Huntington s asset and liability management activities at September 30, 2013, identified by the underlying interest rate-sensitive instruments:

(dollar amounts in thousands)	Fair Value Hedges	Cash Flow Hedges	Total
Instruments associated with:			
Loans	$	$ 7,366,000	$ 7,366,000
Deposits	162,500		162,500
Subordinated notes	598,000		598,000
Other long-term debt	385,000		385,000
Total notional value at September 30, 2013	**$ 1,145,500**	**$ 7,366,000**	**$ 8,511,500**

The following table presents additional information about the interest rate swaps used in Huntington s asset and liability management activities at September 30, 2013:

				Weighted-Average Rate	
(dollar amounts in thousands)	Notional Value	Average Maturity (years)	Fair Value	Receive	Pay
Asset conversion swaps					
Receive fixed - generic	$ 7,366,000	2.9	$ (16,753)	0.91%	0.38%
Total asset conversion swaps	7,366,000	2.9	(16,753)	0.91	0.38
Liability conversion swaps					
Receive fixed - generic	1,145,500	3.8	71,411	2.94	0.35
Total liability conversion swaps	1,145,500	3.8	71,411	2.94	0.35
Total swap portfolio	$ 8,511,500	3.0	$ 54,658	1.18%	0.38%

These derivative financial instruments were entered into for the purpose of managing the interest rate risk of assets and liabilities. Consequently, net amounts receivable or payable on contracts hedging either interest earning assets or interest bearing liabilities were accrued as an adjustment to either interest income or interest expense. The net amounts resulted in an increase to net interest income of $23.1 million and $28.8 million for the three-month periods ended September 30, 2013, and 2012, respectively. For the nine-month periods ended September 30, 2013 and 2012, the net amounts resulted in an increase to net interest income of $73.2 million and $81.2 million, respectively.

In connection with the sale of Huntington s Class B Visa® shares, Huntington entered into a swap agreement with the purchaser of the shares. The swap agreement adjusts for dilution in the conversion ratio of Class B shares resulting from the Visa® litigation. At September 30, 2013, the fair value of the swap liability of $0.4 million is an estimate of the exposure liability based upon Huntington s assessment of the probability-weighted potential Visa® litigation losses and certain fixed payments required to be made through the term of the swap.

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The following table presents the fair values at September 30, 2013 and December 31, 2012 of Huntington s financial instruments. Amounts in the table below are presented gross without the impact of any net collateral arrangements:

Asset derivatives included in accrued income and other assets:

(dollar amounts in thousands)	**September 30, 2013**	December 31, 2012
Interest rate contracts designated as hedging instruments	**$ 65,574**	$ 169,222
Interest rate contracts not designated as hedging instruments	**195,673**	296,295
Foreign exchange contracts not designated as hedging instruments	**11,271**	5,605
Commodities contracts not designated as hedging instruments	**1,809**	
Total contracts	**$ 274,327**	$ 471,122

Liability derivatives included in accrued expenses and other liabilities:

(dollar amounts in thousands)	**September 30, 2013**	December 31, 2012
Interest rate contracts designated as hedging instruments	**$ 10,916**	$
Interest rate contracts not designated as hedging instruments	**126,068**	228,757
Foreign exchange contracts not designated as hedging instruments	**12,037**	4,655
Commodities contracts not designated as hedging instruments	**1,491**	
Total contracts	**$ 150,512**	$ 233,412

Fair value hedges are established to convert deposits and subordinated and other long-term debt from fixed-rate obligations to floating rate. The changes in fair value of the derivative are, to the extent that the hedging relationship is effective, recorded through earnings and offset against changes in the fair value of the hedged item.

The following table presents the change in fair value for derivatives designated as fair value hedges as well as the offsetting change in fair value on the hedged item for the three-month and nine-month periods ended September 30, 2013 and 2012:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(dollar amounts in thousands)	**2013**	2012	**2013**	2012
Interest rate contracts				
Change in fair value of interest rate swaps hedging deposits (1)	**$ (336)**	$ (417)	**$ (3,650)**	$ (852)
Change in fair value of hedged deposits (1)	**340**	428	**3,645**	840
Change in fair value of interest rate swaps hedging subordinated notes (2)	**(2,358)**	2,448	**(34,378)**	8,207
Change in fair value of hedged subordinated notes (2)	**2,358**	(2,448)	**34,378**	(8,207)
Change in fair value of interest rate swaps hedging other long-term debt (2)	**466**	205	**(1,106)**	489
Change in fair value of hedged other long-term debt (2)	**(316)**	(205)	**1,255**	(489)

(1) Effective portion of the hedging relationship is recognized in Interest expense deposits in the Unaudited Condensed Consolidated Statements of Income. Any resulting ineffective portion of the hedging relationship is recognized in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

(2) Effective portion of the hedging relationship is recognized in Interest expense subordinated notes and other long-term debt in the Unaudited Condensed Consolidated Statements of Income. Any resulting ineffective portion of the hedging relationship is recognized in noninterest

income in the Unaudited Condensed Consolidated Statements of Income.

For cash flow hedges, interest rate swap contracts were entered into that pay fixed-rate interest in exchange for the receipt of variable-rate interest without the exchange of the contract s underlying notional amount, which effectively converts a portion of its floating-rate debt to a fixed-rate debt. This reduces the potentially adverse impact of increases in interest rates on future interest expense. Other LIBOR-based commercial and industrial loans as well as investment securities were effectively converted to fixed-rate by entering into contracts that swap certain variable-rate interest payments for fixed-rate interest payments at designated times.

To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, changes in the derivatives fair value will not be included in current earnings but are reported as a component of OCI in the Unaudited Condensed Consolidated Statements of Shareholders Equity. These changes in fair value will be included in earnings of future periods when earnings are also affected by the changes in the hedged cash flows. To the extent these derivatives are not effective, changes in their fair values are immediately included in noninterest income.

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The following table presents the gains and (losses) recognized in OCI and the location in the Unaudited Condensed Consolidated Statements of Income of gains and (losses) reclassified from OCI into earnings for the three-month and nine-month periods ended September 30, 2013 and 2012 for derivatives designated as effective cash flow hedges:

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (effective portion) (after-tax)		Location of gain or (loss) reclassified from accumulated OCI into earnings (effective portion)	Amount of (gain) or loss reclassified from accumulated OCI into earnings (effective portion)	
	Three Months Ended September 30,			**Three Months Ended September 30,**	
(dollar amounts in thousands)	**2013**	2012		**2013**	2012
Interest rate contracts					
Loans	**$ 17,337**	$ 14,027	Interest and fee income - loans and leases	**$ (3,078)**	$ (13,428)
Investment Securities			Noninterest income - other income	**(7)**	
FHLB Advances			Interest expense - federal home loan bank advances		
Deposits			Interest expense - deposits		
Subordinated notes			Interest expense - subordinated notes and other long-term debt		130
Other long term debt			Interest expense - subordinated notes and other long-term debt		
Total	**$ 17,337**	$ 14,027		**$ (3,085)**	$ (13,298)

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (effective portion) (after-tax)		Location of gain or (loss) reclassified from accumulated OCI into earnings (effective portion)	Amount of (gain) or loss reclassified from accumulated OCI into earnings (effective portion)	
	Nine Months Ended September 30,			**Nine Months Ended September 30,**	
(dollar amounts in thousands)	**2013**	2012		**2013**	2012
Interest rate contracts					
Loans	**$ (46,526)**	$ 4,031	Interest and fee income - loans and leases	**$ (11,367)**	$ 13,285
Investment Securities		(702)	Interest and fee income - investment securities	**(202)**	
FHLB Advances			Interest expense - federal home loan bank advances		
Deposits			Interest expense - deposits		
Subordinated notes			Interest expense - subordinated notes and other long-term debt		143
Other long term debt			Interest expense - subordinated notes and other long-term debt		
Total	**$ (46,526)**	$ 3,329		**$ (11,569)**	$ 13,428

During the next twelve months, Huntington expects to reclassify to earnings $24.8 million of after-tax unrealized gains on cash flow hedging derivatives currently in OCI.

The following table details the gains and (losses) recognized in noninterest income on the ineffective portion on interest rate contracts for derivatives designated as cash flow hedges for the three-month and nine-month periods ended September 30, 2013 and 2012.

(dollar amounts in thousands)	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2013	2012	**2013**	2012
Derivatives in cash flow hedging relationships				
Interest rate contracts				
Loans	**$ (13)**	$ (215)	**$ 895**	$ (146)
FHLB Advances				

Derivatives used in trading activities

Various derivative financial instruments are offered to enable customers to meet their financing and investing objectives and for their risk management purposes. Derivative financial instruments used in trading activities consisted predominantly of interest rate swaps, but also included interest rate caps, floors, and futures, as well as foreign exchange options and commodity contracts. Interest rate options grant the option holder the right to buy or sell an underlying financial instrument for a predetermined price before the contract expires. Interest rate futures are commitments to either purchase or sell a financial instrument at a future date for a specified price or yield and may be settled in cash or through delivery of the underlying financial instrument. Interest rate caps and floors are option-based contracts that entitle the buyer to receive cash payments based on the difference between a designated reference rate and a strike price, applied to a notional amount. Written options, primarily caps, expose Huntington to market risk but not credit risk. Purchased options contain both credit and market risk. The interest rate risk of these customer derivatives is mitigated by entering into similar derivatives having offsetting terms with other counterparties. The credit risk to these customers is evaluated and included in the calculation of fair value.

The net fair values of these derivative financial instruments, for which the gross amounts are included in accrued income and other assets or accrued expenses and other liabilities at September 30, 2013 and December 31, 2012, were $ 67.5 million and $63.4 million, respectively. The total notional values of derivative financial instruments used by Huntington on behalf of customers, including offsetting derivatives, were $12.9 billion and $12.0 billion at September 30, 2013 and December 31, 2012, respectively. Huntington s credit risks from derivative financial instruments used for trading purposes were $187.3 million and $296.1 million at the same dates, respectively.

Financial assets and liabilities that are offset in the Condensed Consolidated Balance Sheets

Huntington records derivatives at fair value as further described in Note 14. Huntington records these derivatives net of any master netting arrangement in the Unaudited Condensed Consolidated Balance Sheets. Collateral agreements are regularly entered into as part of the underlying derivative agreements with Huntington s counterparties to mitigate counterparty credit risk.

All derivatives are carried on the Unaudited Condensed Consolidated Balance Sheets at fair value. Derivative balances are presented on a net basis taking into consideration the effects of legally enforceable master netting agreements. Cash collateral exchanged with counterparties is also netted against the applicable derivative fair values. Huntington enters into derivative transactions with two primary groups: broker-dealers and banks, and Huntington s customers. Different methods are utilized for managing counterparty credit exposure and credit risk for each of these groups.

Huntington enters into transactions with broker-dealers and banks for various risk management purposes. These types of transactions generally are high dollar volume. Huntington enters into bilateral collateral and master netting agreements with these counterparties, and routinely exchange cash and high quality securities collateral with these counterparties. Huntington enters into transactions with customers to meet their financing, investing, payment and risk management needs. These types of transactions generally are low dollar volume. Huntington generally enters into master netting agreements with customer counterparties, however collateral is generally not exchanged with customer counterparties.

At September 30, 2013 and December 31, 2012, aggregate credit risk associated with these derivatives, net of collateral that has been pledged by the counterparty, was $19.0 million and $17.4 million, respectively. The credit risk associated with interest rate swaps is calculated after considering master netting agreements with broker-dealers and banks.

At September 30, 2013, Huntington pledged $133.2 million of investment securities and cash collateral to counterparties, while other counterparties pledged $100.4 million of investment securities and cash collateral to Huntington to satisfy collateral netting agreements. In the event of credit downgrades, Huntington would not be required to provide additional collateral.

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The following tables present the gross amounts of these assets and liabilities with any offsets to arrive at the net amounts recognized in the Unaudited Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012:

Offsetting of Financial Assets and Derivative Assets

(dollar amounts in thousands)		Gross amounts of recognized assets	Gross amounts offset in the condensed consolidated balance sheets	Net amounts of assets presented in the condensed consolidated balance sheets	Gross amounts not offset in the condensed consolidated balance sheets		
					Financial instruments	cash collateral received	Net amount
Offsetting of Financial Assets and Derivative Assets							
September 30, 2013	Derivatives	**$ 311,580**	**$ (103,945)**	**$ 207,635**	**$ (30,889)**	**$ (322)**	**$ 176,424**
December 31, 2012	Derivatives	473,374	(101,620)	371,754	(62,409)	(755)	308,590

Offsetting of Financial Liabilities and Derivative Liabilities

(dollar amounts in thousands)		Gross amounts of recognized liabilities	Gross amounts offset in the condensed consolidated balance sheets	Net amounts of assets presented in the condensed consolidated balance sheets	Gross amounts not offset in the condensed consolidated balance sheets		
					Financial instruments	cash collateral received	Net amount
Offsetting of Financial Liabilities and Derivative Liabilities							
September 30, 2013	Derivatives	**$ 187,766**	**$ (69,008)**	**$ 118,758**	**$ (100,522)**	**$ 1,595**	**$ 19,831**
December 31, 2012	Derivatives	235,664	(85,667)	149,997	(97,233)	(455)	52,309

Derivatives used in mortgage banking activities

Huntington also uses certain derivative financial instruments to offset changes in value of its MSRs. These derivatives consist primarily of forward interest rate agreements and forward commitments to deliver mortgage-backed securities. The derivative instruments used are not designated as hedges. Accordingly, such derivatives are recorded at fair value with changes in fair value reflected in mortgage banking income. The following table summarizes the derivative assets and liabilities used in mortgage banking activities

(dollar amounts in thousands)	**September 30, 2013**	December 31, 2012
Derivative assets:		
Interest rate lock agreements	**$ 8,127**	$ 13,180
Forward trades and options	**260**	763
Total derivative assets	**8,387**	13,943
Derivative liabilities:		
Interest rate lock agreements	**(99)**	(33)

Forward trades and options	**(10,227)**	(2,158)
Total derivative liabilities	**(10,326)**	(2,191)
Net derivative asset (liability)	**$ (1,939)**	$ 11,752

The total notional value of these derivative financial instruments at September 30, 2013 and December 31, 2012, was $0.6 billion and $2.3 billion, respectively. The total notional amount at September 30, 2013, corresponds to trading assets with a fair value of $2.1 million. Total MSR hedging gains and (losses) for the three-month periods ended September 30, 2013 and 2012, were $0.1 million and $15.4 million, respectively and $(23.5) million and $33.0 million for the nine-month periods ended September 30, 2013 and 2012, respectively. Included in total MSR hedging gains and losses for the three-month periods ended September 30, 2013 and 2012 were net gains and (losses) related to derivative instruments of $0.1 million and $ 15.4 million, respectively, and $(23.5) million and $33.0 million for the nine-month periods ended September 30, 2013 and 2012, respectively. These amounts are included in mortgage banking income in the Unaudited Condensed Consolidated Statements of Income.

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16. VIEs

Consolidated VIEs

Consolidated VIEs at September 30, 2013, consisted of automobile loan and lease securitization trusts formed in 2009 and 2006. Huntington has determined the trusts are VIEs. Huntington has concluded that it is the primary beneficiary of these trusts because it has the power to direct the activities of the entity that most significantly affect the entity s economic performance and it has either the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The following tables present the carrying amount and classification of the consolidated trusts assets and liabilities that were included in the Unaudited Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012:

	September 30, 2013			
(dollar amounts in thousands)	**2009 Automobile Trust**	**2006 Automobile Trust**	**Other Consolidated Trusts**	**Total**
Assets:				
Cash	**$ 8,987**	**$ 79,153**	**$**	**$ 88,140**
Loans and leases	**69,780**	**188,871**		**258,651**
Allowance for loan and lease losses		**(793)**		**(793)**
Net loans and leases	**69,780**	**188,078**		**257,858**
Accrued income and other assets	**283**	**565**	**261**	**1,109**
Total assets	**$ 79,050**	**$ 267,796**	**$ 261**	**$ 347,107**
Liabilities:				
Other long-term debt	**$**	**$**	**$**	**$**
Accrued interest and other liabilities			**261**	**261**
Total liabilities	**$**	**$**	**$ 261**	**$ 261**

	December 31, 2012			
(dollar amounts in thousands)	2009 Automobile Trust	2006 Automobile Trust	Other Consolidated Trusts	Total
Assets:				
Cash	$ 12,577	$ 91,113	$	$ 103,690
Loans and leases	142,762	356,162		498,924
Allowance for loan and lease losses		(2,671)		(2,671)
Net loans and leases	142,762	353,491		496,253
Accrued income and other assets	617	1,353	288	2,258
Total assets	$ 155,956	$ 445,957	$ 288	$ 602,201
Liabilities:				
Other long-term debt	$	$ 2,086	$	$ 2,086
Accrued interest and other liabilities		1	288	289

Total liabilities	$	$	2,087	$	288	$	2,375

The automobile loans and leases were designated to repay the securitized notes. Huntington services the loans and leases and uses the proceeds from principal and interest payments to pay the securitized notes during the amortization period. Huntington has not provided financial or other support that was not previously contractually required.

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Unconsolidated VIEs

The following tables provide a summary of the assets and liabilities included in Huntington s Unaudited Condensed Consolidated Financial Statements, as well as the maximum exposure to losses, associated with its interests related to unconsolidated VIEs for which Huntington holds an interest, but is not the primary beneficiary, to the VIE at September 30, 2013, and December 31, 2012:

	September 30, 2013		
(dollar amounts in thousands)	**Total Assets**	**Total Liabilities**	**Maximum Exposure to Loss**
2012-1 Automobile Trust	**$ 7,298**	**$**	**$ 7,298**
2012-2 Automobile Trust	**8,750**		**8,750**
2011 Automobile Trust	**3,827**		**3,827**
Tower Hill Securities, Inc.	**79,312**	**65,000**	**79,312**
Trust Preferred Securities	**13,764**	**312,894**	
Low Income Housing Tax Credit Partnerships	**367,817**	**139,293**	**367,817**
Total	**$ 480,768**	**$ 517,187**	**$ 467,004**

	December 31, 2012		
(dollar amounts in thousands)	Total Assets	Total Liabilities	Maximum Exposure to Loss
2012-1 Automobile Trust	$ 12,649	$	$ 12,649
2012-2 Automobile Trust	13,616		13,616
2011 Automobile Trust	7,076		7,076
Tower Hill Securities, Inc.	87,075	65,000	87,075
Trust Preferred Securities	13,764	312,894	
Low Income Housing Tax Credit Partnerships	391,878	152,047	391,878
Total	$ 526,058	$ 529,941	$ 512,294

2012-1 AUTOMOBILE TRUST, 2012-2 AUTOMOBILE TRUST, and 2011 AUTOMOBILE TRUST

During the 2012 fourth quarter, 2012 first quarter and 2011 third quarter, we transferred automobile loans totaling $1.0 billion, $1.3 billion and $1.0 billion, respectively, to trusts in securitization transactions. The securitizations and the resulting sale of all underlying securities qualified for sale accounting. Huntington has concluded that it is not the primary beneficiary of these trusts because it has neither the obligation to absorb losses of the entities that could potentially be significant to the VIEs nor the right to receive benefits from the entities that could potentially be significant to the VIEs. Huntington is not required and does not currently intend to provide any additional financial support to the trusts. Investors and creditors only have recourse to the assets held by the trusts. The interest Huntington holds in the VIEs relates to servicing rights which are included within accrued income and other assets of Huntington s Unaudited Condensed Consolidated Balance Sheets. The maximum exposure to loss is equal to the carrying value of the servicing asset.

TOWER HILL SECURITIES, INC.

In 2010, we transferred approximately $92.1 million of municipal securities, $86.0 million in Huntington Preferred Capital, Inc. (Real Estate Investment Trust) Class E Preferred Stock and cash of $6.1 million to Tower Hill Securities, Inc. in exchange for $184.1 million of Common and Preferred Stock of Tower Hill Securities, Inc. The municipal securities and the REIT Shares will be used to satisfy $65.0 million of mandatorily redeemable securities issued by Tower Hill Securities, Inc. and are not available to satisfy the general debts and obligations of Huntington or any consolidated affiliates. The transfer was recorded as a secured financing. Interests held by Huntington consist of municipal securities within available for sale and other securities and Series B preferred securities within other long term debt of Huntington s Unaudited Condensed Consolidated Balance Sheets. The maximum exposure to loss is equal to the carrying value of the municipal securities.

TRUST PREFERRED SECURITIES

Huntington has certain wholly-owned trusts whose assets, liabilities, equity, income, and expenses are not included within Huntington s Unaudited Condensed Consolidated Financial Statements. These trusts have been formed for the sole purpose of issuing trust-preferred securities, from which the proceeds are then invested in Huntington junior subordinated debentures, which are reflected in Huntington s Unaudited Condensed Consolidated Balance Sheets as subordinated notes. The trust securities are the obligations of the trusts, and as such, are

not consolidated within Huntington s Unaudited Condensed Consolidated Financial Statements. A list of trust preferred securities outstanding at September 30, 2013 follows:

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(dollar amounts in thousands)	Rate	Principal amount of subordinated note/ debenture issued to trust (1)	Investment in unconsolidated subsidiary
Huntington Capital I	0.97%(2)	$ 111,816	$ 6,186
Huntington Capital II	0.88(3)	54,593	3,093
Sky Financial Capital Trust III	1.65(4)	72,165	2,165
Sky Financial Capital Trust IV	1.67(4)	74,320	2,320
Total		$ 312,894	$ 13,764

(1) Represents the principal amount of debentures issued to each trust, including unamortized original issue discount.
(2) Variable effective rate at September 30, 2013, based on three month LIBOR + 0.70.
(3) Variable effective rate at September 30, 2013, based on three month LIBOR + 0.625.
(4) Variable effective rate at September 30, 2013, based on three month LIBOR + 1.40.

Each issue of the junior subordinated debentures has an interest rate equal to the corresponding trust securities distribution rate. Huntington has the right to defer payment of interest on the debentures at any time, or from time-to-time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the related debentures. During any such extension period, distributions to the trust securities will also be deferred and Huntington s ability to pay dividends on its common stock will be restricted. Periodic cash payments and payments upon liquidation or redemption with respect to trust securities are guaranteed by Huntington to the extent of funds held by the trusts. The guarantee ranks subordinate and junior in right of payment to all indebtedness of the Company to the same extent as the junior subordinated debt. The guarantee does not place a limitation on the amount of additional indebtedness that may be incurred by Huntington.

LOW INCOME HOUSING TAX CREDIT PARTNERSHIPS

Huntington makes certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (LIHTC) pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings, and to assist in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnerships include the identification, development, and operation of multi family housing that is leased to qualifying residential tenants. Generally, these types of investments are funded through a combination of debt and equity.

Huntington is a limited partner in each Low Income Housing Tax Credit Partnership. A separate unrelated third party is the general partner. Each limited partnership is managed by the general partner, who exercises full and exclusive control over the affairs of the limited partnership. The general partner has all the rights, powers and authority granted or permitted to be granted to a general partner of a limited partnership under the Ohio Revised Uniform Limited Partnership Act. Duties entrusted to the general partner of each limited partnership include, but are not limited to: investment in operating companies, company expenditures, investment of excess funds, borrowing funds, employment of agents, disposition of fund property, prepayment and refinancing of liabilities, votes and consents, contract authority, disbursement of funds, accounting methods, tax elections, bank accounts, insurance, litigation, cash reserve, and use of working capital reserve funds. Except for limited rights granted to consent to certain transactions, the limited partner(s) may not participate in the operation, management, or control of the limited partnership s business, transact any business in the limited partnership s name or have any power to sign documents for or otherwise bind the limited partnership. In addition, the general partner may only be removed by the limited partner(s) in the event the general partner fails to comply with the terms of the agreement and/or is negligent in performing its duties.

Huntington believes the general partner of each limited partnership has the power to direct the activities which most significantly affect the performance of each partnership, therefore, Huntington has determined that it is not the primary beneficiary of any LIHTC partnership. Huntington uses the equity or effective yield method to account for its investments in these entities. These investments are included in accrued income and other assets. At September 30, 2013 and December 31, 2012, Huntington had gross investment commitments of $524.7 million (net of amortization: $367.8 million) and $532.1 million (net of amortization: $391.9 million), respectively, of which $385.4 million and $380.0 million, respectively, were funded. The unfunded portion is included in accrued expenses and other liabilities.

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17. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments to extend credit

In the ordinary course of business, Huntington makes various commitments to extend credit that are not reflected in the Unaudited Condensed Consolidated Financial Statements. The contractual amounts of these financial agreements at September 30, 2013 and December 31, 2012, were as follows:

(dollar amounts in thousands)	**September 30, 2013**	December 31, 2012
Contract amount represents credit risk:		
Commitments to extend credit		
Commercial	**$ 10,207,291**	$ 9,209,094
Consumer	**6,309,876**	6,189,447
Commercial real estate	**762,099**	797,605
Standby letters-of-credit	**456,580**	514,705

Commitments to extend credit generally have fixed expiration dates, are variable-rate, and contain clauses that permit Huntington to terminate or otherwise renegotiate the contracts in the event of a significant deterioration in the customer s credit quality. These arrangements normally require the payment of a fee by the customer, the pricing of which is based on prevailing market conditions, credit quality, probability of funding, and other relevant factors. Since many of these commitments are expected to expire without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements. The interest rate risk arising from these financial instruments is insignificant as a result of their predominantly short-term, variable-rate nature.

Standby letters-of-credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years. The carrying amount of deferred revenue associated with these guarantees was $1.5 million and $1.4 million at September 30, 2013 and December 31, 2012, respectively.

Through the Company s credit process, Huntington monitors the credit risks of outstanding standby letters-of-credit. When it is probable that a standby letter-of-credit will be drawn and not repaid in full, losses are recognized in the provision for credit losses. At September 30, 2013, Huntington had $457 million of standby letters-of-credit outstanding, of which 82% were collateralized. Included in this $457 million total are letters-of-credit issued by the Bank that support securities that were issued by customers and remarketed by The Huntington Investment Company, the Company s broker-dealer subsidiary.

Huntington uses an internal grading system to assess an estimate of loss on its loan and lease portfolio. This same loan grading system is used to monitor credit risk associated with standby letters-of-credit. Under this grading system as of September 30, 2013, approximately $86 million of the standby letters-of-credit were rated strong with sufficient asset quality, liquidity, and good debt capacity and coverage; approximately $370 million were rated average with acceptable asset quality, liquidity, and modest debt capacity; and approximately $0 million were rated substandard with negative financial trends, structural weaknesses, operating difficulties, and higher leverage.

Commercial letters-of-credit represent short-term, self-liquidating instruments that facilitate customer trade transactions and generally have maturities of no longer than 90 days. The goods or cargo being traded normally secures these instruments.

Commitments to sell loans

Huntington enters into forward contracts relating to its mortgage banking business to hedge the exposures from commitments to make new residential mortgage loans with existing customers and from mortgage loans classified as loans held for sale. At September 30, 2013 and December 31, 2012, Huntington had commitments to sell residential real estate loans of $571.7 million and $849.8 million, respectively. These contracts mature in less than one year.

Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state, city, and foreign jurisdictions. Federal income tax audits have been completed through 2009. The Company has appealed certain proposed adjustments resulting from the IRS

examination of the 2006, 2007, 2008 and 2009 tax returns. Management believes the tax positions taken related to such proposed adjustments were correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. However, although no assurance can be given, Management believes the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position. In the first quarter of 2013, the IRS began an examination of our 2010 and 2011 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination for tax years 2006 and forward.

Huntington accounts for uncertainties in income taxes in accordance with ASC 740, Income Taxes. At September 30, 2013, Huntington had gross unrecognized tax benefits of $0.7 million in income tax liability related to uncertain tax positions. Total interest accrued on the unrecognized tax benefits was $0.1 million as of September 30, 2013. Huntington recognizes interest and penalties on income tax assessments or income tax refunds in the financial statements as a component of provision for income taxes. It is reasonably possible that the liability for unrecognized tax benefits could decrease in the next twelve months.

Litigation

The nature of Huntington s business ordinarily results in a certain amount of claims, litigation, investigations, and legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. When the Company determines it has meritorious defenses to the claims asserted, it vigorously defends itself. The Company will consider settlement of cases when, in Management s judgment, it is in the best interests of both the Company and its shareholders to do so.

On at least a quarterly basis, Huntington assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, Huntington establishes an accrual for the loss. Once established, the accrual is adjusted as appropriate to reflect any relevant developments. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established.

In certain cases, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes an estimate of the aggregate range of reasonably possible losses, in excess of amounts accrued, for current legal proceedings is from $0 to approximately $125.0 million at September 30, 2013. For certain other cases, Management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the proceedings, and the inherent uncertainty of the various potential outcomes of such proceedings. Accordingly, Management s estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

While the final outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, Management believes that the amount it has already accrued is adequate and any incremental liability arising from the Company s legal proceedings will not have a material negative adverse effect on the Company s consolidated financial position as a whole. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Company s consolidated financial position in a particular period.

The following supplements the discussion of certain matters previously reported in Item 3 (Legal Proceedings) of the 2012 Form 10-K for events occurring through the date of this filing:

The Bank has been a defendant in three lawsuits, which collectively may be material, arising from its commercial lending, depository, and equipment leasing relationships with Cyberco Holdings, Inc. (Cyberco), based in Grand Rapids, Michigan. In November 2004, the Federal Bureau of Investigation and the IRS raided the Cyberco facilities and Cyberco s operations ceased. An equipment leasing fraud was uncovered, whereby Cyberco sought financing from equipment lessors and financial institutions, including the Bank, allegedly to purchase computer equipment from Teleservices Group, Inc. (Teleservices). Cyberco created fraudulent documentation to close the financing transactions while, in fact, no computer equipment was ever purchased or leased from Teleservices which proved to be a shell corporation.

On June 22, 2007, a complaint in the United States District Court for the Western District of Michigan (District Court) was filed by El Camino Resources, Ltd, ePlus Group, Inc., and Bank Midwest, N.A., all of whom had lending relationships with Cyberco, against the Bank, which alleged that Cyberco defrauded plaintiffs and converted plaintiffs property through various means in connection with the equipment leasing scheme and alleged that the Bank aided and abetted Cyberco in committing the alleged fraud and conversion. The complaint further alleged that the Bank s actions entitle one of the plaintiffs to recover $1.9 million from the Bank as a form of unjust enrichment. In addition, plaintiffs claimed direct damages of approximately $32.0 million and additional consequential damages in excess of $20.0 million. On July 1, 2010, the District Court issued an Opinion and Order adopting in full a federal magistrate s recommendation for summary judgment in favor of the Bank on all claims except the unjust enrichment claim, and a partial summary judgment was entered on July 1, 2010. On February 6, 2012, the District Court dismissed the remaining count for unjust enrichment following a finding by the bankruptcy court that the plaintiff must pursue its rights, if any, with respect to that count in a bankruptcy court. The plaintiffs filed a notice of appeal on March 2, 2012, appealing the District Court s judgment against them on the aiding and abetting and conversion claims. Oral arguments before the Sixth Circuit Court of Appeals were held January 24, 2013, and the Sixth Circuit Court of Appeals affirmed the District Court s judgment in an opinion issued on April 8, 2013. The plaintiffs then filed a motion for rehearing en banc, which the Sixth Circuit denied on May 30, 2013. The period for plaintiffs to seek review in the United States Supreme Court has passed, and the case is completed.

The Bank is also involved with the Chapter 7 bankruptcy proceedings of both Cyberco, filed on December 9, 2004, and Teleservices, filed on January 21, 2005. The Cyberco bankruptcy trustee commenced an adversary proceeding against the Bank on December 8, 2006, seeking over $70.0 million he alleged was transferred to the Bank. The Bank responded with a motion to dismiss and all but the preference claims were dismissed on January 29, 2008. The Cyberco bankruptcy trustee alleged preferential transfers in the amount of approximately $1.2 million. The Bankruptcy Court ordered the case to be tried in July 2012, and entered a pretrial order governing all pretrial conduct. The Bank filed a motion for summary judgment based on the Cyberco trustee seeking recovery in connection with the same alleged transfers as the Teleservices trustee in the case described below. The Bankruptcy Court granted the motion in principal part and the parties stipulated to a full dismissal which was entered on June 19, 2012.

The Teleservices bankruptcy trustee filed an adversary proceeding against the Bank on January 19, 2007, seeking to avoid and recover alleged transfers that occurred in two ways: (1) checks made payable to the Bank to be applied to Cyberco s indebtedness to the Bank, and (2) deposits into Cyberco s bank accounts with the Bank. A trial was held as to only the Bank s defenses. Subsequently, the trustee filed a summary judgment motion on her affirmative case, alleging the fraudulent transfers to the Bank totaled approximately $73.0 million and seeking judgment in that amount (which includes the $1.2 million alleged to be preferential transfers by the Cyberco bankruptcy trustee). On March 17, 2011, the Bankruptcy Court issued an Opinion determining the alleged transfers made to the Bank were not received in good faith from the time period of April 30, 2004, through November 2004, and that the Bank had failed to show a lack of knowledge of the avoidability of the alleged transfers from September 2003, through April 30, 2004. The trustee then filed an amended motion for summary judgment on her affirmative case and a hearing was held on July 1, 2011.

On March 30, 2012, the Bankruptcy Court issued an Opinion on the trustee s motion determining the Bank was the initial transferee of the checks made payable to it and was a subsequent transferee of all deposits into Cyberco s accounts. The Bankruptcy Court ruled Cyberco s deposits were themselves transfers to the Bank under the Bankruptcy Code, and the Bank was liable for both the checks and the deposits, totaling approximately $73.0 million. The Bankruptcy Court ruled the Bank may be entitled to a credit of approximately $4.0 million for the Cyberco trustee s recoveries in preference actions filed against third parties that received payments from Cyberco within 90 days preceding Cyberco s bankruptcy. Lastly, the Bankruptcy Court ruled that it will award prejudgment interest to the Teleservices trustee at a rate to be determined. A trial was held on these remaining issues on April 30, 2012, and the Court gave a bench opinion on July 23, 2012. In that opinion, the Court denied the Bank the $4.0 million credit, but ruled approximately $0.9 million in deposits were either double-counted or were outside the timeframe in which the Teleservices trustee can recover. Therefore, the Bankruptcy Court s recommended award will be reduced by this $0.9 million. Further, the Bankruptcy Court ruled the interest rate specified in the federal statute governing post-judgment interest, which is based on treasury bill rates, will be the rate of interest for determining prejudgment interest. The rulings of the Bankruptcy Court in its March 2011 and March 2012 opinions, as well as its July 23, 2012, bench opinion, will not be reduced to judgment by the Bankruptcy Court. Rather, the Bankruptcy Court has delivered a report and recommendation to the District Court for the Western District of Michigan, recommending a judgment be entered in the principal amount of $71.8 million, plus interest through July 27, 2012, in the amount of $8.8 million. The District Court is conducting a *de novo* review of the fact findings and legal conclusions in the Bankruptcy Court s opinions.

In the pending bankruptcy cases of Cyberco and Teleservices, the Bank moved to substantively consolidate the two bankruptcy estates, principally on the ground that Teleservices was the alter ego and a mere instrumentality of Cyberco at all times. On July 2, 2010, the Bankruptcy Court issued an Opinion and Order denying the Bank s motions for substantive consolidation of the two bankruptcy estates. The Bank appealed that decision to the Bankruptcy Appellate Panel (BAP) for the Sixth Circuit, which ruled that the order denying substantive consolidation would not be a final order until the Bankruptcy Court issued its opinion on the Bank s defenses in the Teleservices adversary proceeding, and dismissed the appeal. The Bank appealed the BAP s decision to the Sixth Circuit. When the Bankruptcy Court issued its March 17, 2010, opinion in the Teleservices adversary proceeding, the Bank again appealed the order denying substantive consolidation to the BAP, which appeal has been held in abeyance pending decision by the Sixth Circuit on the appeal of the BAP s 2010 order. On August 30, 2013, the Sixth Circuit affirmed the BAP s 2010 decision dismissing the original appeal. The Bank has filed a status report with the BAP on the second appeal and is waiting for further direction from the Court.

On January 17, 2012, the Company was named a defendant in a putative class action filed on behalf of all 88 counties in Ohio against MERSCORP, Inc. and numerous other financial institutions that participate in the mortgage electronic registration system (MERS). The complaint alleges that recording of mortgages and assignments thereof is mandatory under Ohio law and seeks a declaratory judgment that the defendants are required to record every mortgage and assignment on real property located in Ohio and pay the attendant statutory recording fees. The complaint also seeks damages, attorneys fees and costs. Although Huntington has not been named as a defendant in the other cases, similar litigation has been initiated against MERSCORP, Inc. and other financial institutions in other jurisdictions throughout the country.

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18. PARENT COMPANY FINANCIAL STATEMENTS

The parent company condensed financial statements, which include transactions with subsidiaries, are as follows:

Balance Sheets *(dollar amounts in thousands)*	**September 30, 2013**	December 31, 2012
Assets		
Cash and cash equivalents	**$ 967,644**	$ 921,471
Due from The Huntington National Bank	**246,833**	207,414
Due from non-bank subsidiaries	**65,334**	78,006
Investment in The Huntington National Bank	**5,180,441**	4,754,886
Investment in non-bank subsidiaries	**787,195**	774,055
Accrued interest receivable and other assets	**154,659**	131,358
Total assets	**$ 7,402,106**	$ 6,867,190
Liabilities and Shareholders Equity		
Short-term borrowings	**$**	$
Long-term borrowings	**642,952**	662,894
Dividends payable, accrued expenses, and other liabilities	**797,575**	414,085
Total liabilities	**1,440,527**	1,076,979
Shareholders equity (1)	**5,961,579**	5,790,211
Total liabilities and shareholders equity	**$ 7,402,106**	$ 6,867,190

(1) See Huntington s Unaudited Condensed Consolidated Statements of Changes in Shareholders Equity.

Statements of Income *(dollar amounts in thousands)*	**Three Months Ended September 30, 2013**	2012	**Nine Months Ended September 30, 2013**	2012
Income				
Dividends from				
The Huntington National Bank	**$**	$	**$**	$
Non-bank subsidiaries	**18,000**	5,000	**18,000**	13,450
Interest from				
The Huntington National Bank	**425**	8,523	**5,513**	32,112
Non-bank subsidiaries	**782**	1,280	**2,399**	4,505
Other	**353**	251	**1,266**	1,068
Total income	**19,560**	15,054	**27,178**	51,135
Expense				
Personnel costs	**12,951**	11,186	**41,161**	31,387
Interest on borrowings	**5,692**	6,621	**14,242**	24,094
Other	**11,923**	10,784	**26,790**	25,632
Total expense	**30,566**	28,591	**82,193**	81,113

Income (loss) before income taxes and equity in undistributed net income of subsidiaries	**(11,006)**	(13,537)	**(55,015)**	(29,978)
Provision (benefit) for income taxes	**(14,958)**	(15,572)	**(28,974)**	(26,812)
Income (loss) before equity in undistributed net income of subsidiaries	**3,952**	2,035	**(26,041)**	(3,166)
Increase (decrease) in undistributed net income of:				
The Huntington National Bank	**186,462**	168,314	**505,499**	469,274
Non-bank subsidiaries	**(11,927)**	(2,582)	**1,460**	7,635
Net income	**$ 178,487**	$ 167,767	**$ 480,918**	$ 473,743
Other comprehensive income (loss) (1)	**52,969**	51,435	**(79,948)**	89,221
Comprehensive income	**$ 231,456**	$ 219,202	**$ 400,970**	$ 562,964

(1) See Condensed Consolidated Statements of Comprehensive Income for other comprehensive income (loss) detail.

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Statements of Cash Flows *(dollar amounts in thousands)*	**Nine Months Ended September 30,**	
	2013	2012
Operating activities		
Net income	**$ 480,918**	$ 473,743
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed net income of subsidiaries	**(536,591)**	(502,659)
Depreciation and amortization	**323**	197
Other, net	**(1,518)**	(25,494)
Net cash provided by (used for) operating activities	**(56,868)**	(54,213)
Investing activities		
Repayments from subsidiaries	**251,853**	453,625
Advances to subsidiaries	**(248,950)**	(31,347)
Net cash provided by (used for) investing activities	**2,903**	422,278
Financing activities		
Payment of borrowings	**(50,000)**	(199,770)
Issuance of long-term debt	**399,200**	
Dividends paid on stock	**(132,957)**	(127,136)
Repurchases of common stock	**(124,995)**	(65,303)
Other, net	**8,890**	(166)
Net cash provided by (used for) financing activities	**100,138**	(392,375)
Change in cash and cash equivalents	**46,173**	(24,310)
Cash and cash equivalents at beginning of period	**921,471**	917,954
Cash and cash equivalents at end of period	**$ 967,644**	$ 893,644
Supplemental disclosure:		
Interest paid	**$ 14,242**	$ 24,904

19. SEGMENT REPORTING

We have four major business segments: Retail and Business Banking, Regional and Commercial Banking, Automobile Finance and Commercial Real Estate, and Wealth Advisors, Government Finance, and Home Lending. A Treasury / Other function includes our insurance business and other unallocated assets, liabilities, revenue, and expense.

Segment results are determined based upon the Company s management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around the Company s organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions. A description of each segment and table of financial results is presented below.

Retail and Business Banking: The Retail and Business Banking segment provides a wide array of financial products and services to consumer and small business customers including but not limited to checking accounts, savings accounts, money market accounts, certificates of deposit, consumer loans, and small business loans and leases. Other financial services available to consumer and small business customers include investments, insurance services, interest rate risk protection products, foreign exchange hedging, and treasury management services. Huntington serves customers primarily through our network of traditional branches in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. Huntington also has branches located in grocery stores in Ohio and Michigan. In addition to our extensive branch network, customers can access Huntington through online banking, mobile banking, telephone banking, and over 1,500 ATMs.

Huntington established a Fair Play banking philosophy and built a reputation for meeting the banking needs of consumers in a manner which makes them feel supported and appreciated. Huntington believes customers are recognizing this and other efforts as key differentiators and it is

earning us more customers and deeper relationships.

Business Banking is a dynamic and growing part of our business and we are committed to being the bank of choice for small businesses in our markets. Business Banking is defined as companies with revenues up to $25 million and consists of approximately 163,000 businesses. Huntington continues to develop products and services that are designed specifically to meet the needs of small business. Huntington continues to look for ways to help companies find solutions to their capital needs.

Regional and Commercial Banking: This segment provides a wide array of products and services to the middle market and large corporate customers base located primarily within our eleven regional commercial banking markets. Products and services are delivered through a relationship banking model and include commercial lending, as well as depository and liquidity management products. Dedicated teams collaborate with our relationship bankers to deliver complex and customized treasury management solutions, equipment and technology leasing, international services, capital markets services such as interest rate risk protection products, foreign exchange hedging and sales, trading of securities, mezzanine investment capabilities, and employee benefit programs (insurance, 401(k)). The Commercial Banking team specializes in serving a number of industry segments such as not-for-profit organizations, health-care entities, and large publicly traded companies.

Automobile Finance and Commercial Real Estate: This segment provides lending and other banking products and services to customers outside of our normal retail and commercial banking segments. Our products and services include financing for the purchase of automobiles by customers at automotive dealerships, financing the acquisition of new and used vehicle inventory of automotive dealerships, and financing for land, buildings, and other commercial real estate owned or constructed by real estate developers, automobile dealerships, or other customers with real estate project financing needs. Products and services are delivered through highly specialized relationship-focused bankers and product partners. Huntington creates well-defined relationship plans which identify needs where solutions are developed and customer commitments are obtained.

The Automotive Finance team services automobile dealerships, its owners, and consumers buying automobiles through these dealerships. Huntington has provided new and used automobile financing and dealer services throughout the Midwest since the early 1950s. This consistency in the market and our focus on working with strong dealerships, has allowed us to expand into selected markets outside of the Midwest and to actively deepen relationships while building a strong reputation.

The Commercial Real Estate team serves real estate developers, REITs, and other customers with lending needs that are secured by commercial properties. Most of our customers are located within our footprint.

Wealth Advisors, Government Finance, and Home Lending: This segment consists of our wealth management, government banking, and home lending businesses. In wealth management, Huntington provides financial services to high net worth clients in our primary banking markets and Florida. Huntington provides these services through a unified sales team, which consists of private bankers, trust officers, and investment advisors. Aligned with the eleven regional commercial banking markets, this coordinated service model delivers products and services directly and through the other segment product partners. A fundamental point of differentiation is our commitment to be in the market, working closely with clients and their other advisors to identify needs, offer solutions and provide ongoing advice in an optimal client relationship.

The Government Finance Group provides financial products and services to government and other public sector entities in our primary banking markets. A locally based team of relationship managers works with clients to meet their trust, lending, and treasury management needs.

Home Lending originates and services consumer loans and mortgages for customers who are generally located in our primary banking markets. Consumer and mortgage lending products are primarily distributed through the Retail and Business Banking segment, as well as through commissioned loan originators. Closely aligned, our Community Development group serves an important role as it focuses on delivering on our commitment to the communities Huntington serves.

The segment also includes the related businesses of investment management, investment servicing, custody, corporate trust, and retirement plan services. Huntington Asset Advisors provides investment management services through a variety of internal and external channels, including advising the Huntington Funds, our proprietary family of mutual funds and Huntington Strategy Shares, our actively-managed exchange-traded funds. Huntington Asset Services offers administrative and operational support to fund complexes, including fund accounting, transfer agency, administration, and distribution services. Our retirement plan services business offers fully bundled and third party distribution of a variety of qualified and non-qualified plan solutions.

Treasury / Other function includes our insurance brokerage business, which specializes in commercial property and casualty, employee benefits, personal lines, life and disability and specialty lines of insurance. Huntington also provides brokerage and agency services for residential and commercial title insurance and excess and surplus product lines of insurance. As an agent and broker we do not assume underwriting risks; instead we provide our customers with quality, noninvestment insurance contracts. The Treasury / Other function also includes technology and operations, other unallocated assets, liabilities, revenue, and expense.

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Listed below is certain operating basis financial information reconciled to Huntington s September 30, 2013, December 31, 2012, and September 30, 2012, reported results by business segment:

	Three Months Ended September 30,					
Income Statements *(dollar amounts in thousands)*	Retail & Business Banking	Regional & Commercial Banking	AFCRE	WGH	Treasury/ Other	Huntington Consolidated
2013						
Net interest income	**$ 202,040**	**69,168**	**90,002**	**43,093**	**20,549**	**$ 424,852**
Provision for credit losses	**43,179**	**42,464**	**(69,579)**	**(4,663)**	**(1)**	**11,400**
Noninterest income	**103,868**	**42,121**	**7,631**	**63,787**	**33,096**	**250,503**
Noninterest expense	**242,386**	**56,669**	**38,224**	**90,502**	**(4,445)**	**423,336**
Income taxes	**7,120**	**4,255**	**45,146**	**7,364**	**(1,753)**	**62,132**
Net income	**$ 13,223**	**$ 7,901**	**$ 83,842**	**$ 13,677**	**$ 59,844**	**$ 178,487**
2012						
Net interest income	$ 213,270	69,995	89,573	48,181	9,279	430,298
Provision for credit losses	38,347	4,933	(13,948)	7,673	(1)	37,004
Noninterest income	99,751	33,320	10,000	82,139	35,857	261,067
Noninterest expense	252,241	50,660	38,437	95,050	21,915	458,303
Income taxes	7,852	16,703	26,279	9,659	(32,202)	28,291
Net income	$ 14,581	$ 31,019	$ 48,805	$ 17,938	$ 55,424	$ 167,767

	Nine Months Ended September 30,					
Income Statements *(dollar amounts in thousands)*	Retail & Business Banking	Regional & Commercial Banking	AFCRE	WGH	Treasury/ Other	Huntington Consolidated
2013						
Net interest income	**$ 611,849**	**206,512**	**265,733**	**129,392**	**60,473**	**$ 1,273,959**
Provision for credit losses	**101,196**	**34,838**	**(82,381)**	**12,063**	**(2)**	**65,714**
Noninterest income	**288,446**	**106,349**	**23,877**	**234,493**	**98,202**	**751,367**
Noninterest expense	**719,430**	**163,232**	**112,440**	**276,856**	**40,036**	**1,311,994**
Income taxes	**27,884**	**40,177**	**90,843**	**26,238**	**(18,442)**	**166,700**
Net income	**$ 51,785**	**$ 74,614**	**$ 168,708**	**$ 48,728**	**$ 137,083**	**$ 480,918**
2012						
Net interest income	$ 656,216	202,116	266,765	143,396	7,976	$ 1,276,469
Provision for credit losses	103,233	42,542	(61,030)	23,185		107,930
Noninterest income	286,745	100,724	55,018	250,370	107,349	800,206
Noninterest expense	727,486	148,219	115,802	279,988	93,753	1,365,248
Income taxes	39,285	39,228	93,454	31,708	(73,921)	129,754
Net income	$ 72,957	$ 72,851	$ 173,557	$ 58,885	$ 95,493	$ 473,743

	Assets at		Deposits at	
(dollar amounts in thousands)	**September 30, 2013**	December 31, 2012	**September 30, 2013**	December 31, 2012

Retail & Business Banking	**$ 14,391,941**	$ 14,362,630	**$ 28,199,983**	$ 28,367,264
Regional & Commercial Banking	**12,209,751**	11,540,966	**6,190,813**	5,862,858
AFCRE	**12,992,479**	12,085,128	**1,084,146**	995,035
WGH	**7,636,789**	7,570,256	**9,935,334**	9,507,785
Treasury / Other	**9,417,291**	10,594,205	**1,153,770**	1,519,741
Total	**$ 56,648,251**	$ 56,153,185	**$ 46,564,046**	$ 46,252,683

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20. Subsequent Event

On October 10, 2013, Huntington announced the signing of a definitive agreement to acquire Camco Financial, the parent company of Cambridge Ohio-based Advantage Bank, in a cash and stock transaction valued at approximately $97 million. As of June 30, 2013, Camco operated 22 banking offices throughout eastern and southern Ohio with $0.8 billion in total assets and $0.6 billion in total deposits. The transaction is expected to be completed in the first half of 2014, subject to the satisfaction of customary closing conditions, including regulatory approvals and the approval of the shareholders of Camco Financial. Given the size and structure, the transaction has a de minimis impact to tangible book value. With over 45% geographic overlap, Huntington expects the acquisition to be accretive to earnings per share in the first full year.

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Item 3: Quantitative and Qualitative Disclosures about Market Risk

Quantitative and qualitative disclosures for the current period can be found in the Market Risk section of this report, which includes changes in market risk exposures from disclosures presented in Huntington s 2012 Form 10-K.

Item 4: Controls and Procedures

Disclosure Controls and Procedures

Huntington maintains disclosure controls and procedures designed to ensure that the information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, are recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Huntington s Management, with the participation of its Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of Huntington s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon such evaluation, Huntington s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, Huntington s disclosure controls and procedures were effective.

There have not been any significant changes in Huntington s internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, Huntington s internal controls over financial reporting.

PART II. OTHER INFORMATION

In accordance with the instructions to Part II, the other specified items in this part have been omitted because they are not applicable or the information has been previously reported.

Item 1: Legal Proceedings

Information required by this item is set forth in Note 17 of the Notes to Unaudited Condensed Consolidated Financial Statements included in Item 1 of this report and incorporated herein by reference.

Item 1A: Risk Factors

Information required by this item is set forth in Part 1 Item 2- Management s Discussion and Analysis of Financial Condition and Results of Operations of this report and incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) and (b)

Not Applicable

(c)

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (2)

July 1, 2013 to July 31, 2013		$	9,995,724	$ 152,002,102
August 1, 2013 to August 31, 2013	809,000	8.18	10,804,724	145,382,048
September 1, 2013 to September 30, 2013	1,165,000	8.19	11,969,724	135,845,179
Total	1,974,000	$ 8.18	11,969,724	$ 135,845,179

(1) The reported shares were repurchased pursuant to Huntington s publicly announced stock repurchase authorizations.

(2) The number shown represents, as of the end of each period, the maximum number of shares (approximate dollar value) of Common Stock that may yet be purchased under publicly announced stock repurchase authorizations. The shares may be purchased, from time-to-time, depending on market conditions.

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On March 14, 2013, Huntington Bancshares Incorporated was notified by the Federal Reserve that it had no objection to Huntington s proposed capital actions included in Huntington s capital plan submitted to the Federal Reserve in January of this year. These actions included the potential repurchase of up to $227 million shares of common stock, starting in the second quarter of 2013 through the first quarter of 2014. Huntington s Board of Directors authorized a share repurchase program consistent with Huntington s capital plan. During the 2013 third quarter, Huntington repurchased a total of 2.0 million shares at a weighted average share price of $8.18.

Item 6. Exhibits

Exhibit Index

This report incorporates by reference the documents listed below that we have previously filed with the SEC. The SEC allows us to incorporate by reference information in this document. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document.

This information may be read and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains an Internet web site that contains reports, proxy statements, and other information about issuers, like us, who file electronically with the SEC. The address of the site is *http://www.sec.gov*. The reports and other information filed by us with the SEC are also available at our Internet web site. The address of the site is *http://www.huntington.com*. Except as specifically incorporated by reference into this Quarterly Report on Form 10-Q, information on those web sites is not part of this report. You also should be able to inspect reports, proxy statements, and other information about us at the offices of the NASDAQ National Market at 33 Whitehall Street, New York, New York.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
2.1	Agreement and Plan of Merger by and between Camco Financial Corporation and Huntington Bancshares Incorporated, dated as of October 9, 2013.	Current Report on Form 8-K dated October 10, 2013	001-34073	2.1
3.1	Articles of Restatement of Charter.	Annual Report on Form 10-K for the year ended December 31, 1993	000-02525	3(i)
3.2	Articles of Amendment to Articles of Restatement of Charter.	Current Report on Form 8-K dated May 31, 2007	000-02525	3.1
3.3	Articles of Amendment to Articles of Restatement of Charter.	Current Report on Form 8-K dated May 7, 2008	000-02525	3.1
3.4	Articles of Amendment to Articles of Restatement of Charter.	Current Report on Form 8-K dated April 27, 2010	001-34073	3.1
3.5	Articles Supplementary of Huntington Bancshares Incorporated, as of April 22, 2008.	Current Report on Form 8-K dated April 22, 2008	000-02525	3.1
3.6	Articles Supplementary of Huntington Bancshares Incorporated, as of April 22. 2008.	Current Report on Form 8-K dated April 22, 2008	000-02525	3.2
3.7	Articles Supplementary of Huntington Bancshares Incorporated, as of November 12, 2008.	Current Report on Form 8-K dated November 12, 2008	001-34073	3.1

3.8	Articles Supplementary of Huntington Bancshares Incorporated, as of December 31, 2006.	Annual Report on Form 10-K for the year ended December 31, 2006	000-02525	3.4
3.9	Articles Supplementary of Huntington Bancshares Incorporated, as of December 28, 2011.	Current Report on Form 8-K dated December 28, 2011.	001-34073	3.1
3.10	Bylaws of Huntington Bancshares Incorporated, as amended and restated, as of July 18, 2012.	Current Report on Form 8-K dated July 24, 2012	001-34073	3.1
4.1	Instruments defining the Rights of Security Holders - reference is made to Articles Fifth, Eighth, and Tenth of Articles of Restatement of Charter, as amended and supplemented. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.			
31.1	Rule 13a-14(a) Certification Chief Executive Officer.			

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31.2	Rule 13a-14(a) Certification Chief Financial Officer.
32.1	Section 1350 Certification Chief Executive Officer.
32.2	Section 1350 Certification Chief Financial Officer.
101 **	The following material from Huntington s Form 10-Q Report for the quarterly period ended September 30, 2013, formatted in XBRL: (1) Unaudited Condensed Consolidated Balance Sheets, (2) Unaudited Condensed Consolidated Statements of Income, (3) Unaudited Condensed Consolidated Statements of Comprehensive Income (4) Unaudited Condensed Consolidated Statement of Changes in Shareholders Equity, (5) Unaudited Condensed Consolidated Statements of Cash Flows, and (6) the Notes to Unaudited Condensed Consolidated Financial Statements.

* Denotes management contract or compensatory plan or arrangement.
** Furnished, not filed.

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SIGNATURES

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.

Huntington Bancshares Incorporated

(Registrant)

Date: November 7, 2013	/s/ Stephen D. Steinour Stephen D. Steinour Chairman, Chief Executive Officer and President
Date: November 7, 2013	/s/ David S. Anderson David S. Anderson Interim Chief Financial Officer

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