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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT
pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934
FOR THE YEAR ENDED DECEMBER 31, 2013

1-2360
(Commission file number)

INTERNATIONAL BUSINESS MACHINES CORPORATION
(Exact name of registrant as specified in its charter)

NEW YORK	**13-0871985**
(State of Incorporation)	(IRS Employer Identification Number)
ARMONK, NEW YORK	**10504**
(Address of principal executive offices)	(Zip Code)

914-499-1900
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Voting shares outstanding at February 10, 2014	Name of each exchange on which registered
Capital stock, par value $.20 per share	1,041,340,758	New York Stock Exchange Chicago Stock Exchange
1.375% Notes due 2019		New York Stock Exchange
2.750% Notes due 2020		New York Stock Exchange
1.875% Notes due 2020		New York Stock Exchange
2.875% Notes due 2025		New York Stock Exchange
8.375% Debentures due 2019		New York Stock Exchange
7.00% Debentures due 2025		New York Stock Exchange
6.22% Debentures due 2027		New York Stock Exchange
6.50% Debentures due 2028		New York Stock Exchange
7.00% Debentures due 2045		New York Stock Exchange
7.125% Debentures due 2096		New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

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 ☐ No ☒

PART II

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

Refer to pages 147 and 151 of IBM's 2013 Annual Report to Stockholders, which are incorporated herein by reference solely as they relate to this item.

IBM common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange. There were 473,872 common stockholders of record at February 10, 2014.

The following table provides information relating to the company's repurchase of common stock for the fourth quarter of 2013.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program(1)
October 1, 2013— October 31, 2013	5,539,700	$ 180.52	5,539,700	$ 19,648,793,858
November 1, 2012— November 30, 2013	16,741,764	$ 181.36	16,741,764	$ 16,612,555,718
December 1, 2013— December 31, 2013	10,914,477	$ 178.96	10,914,477	$ 14,659,250,730
Total	33,195,941	$ 180.43	33,195,941	

(1) On October 30, 2012, the Board of Directors authorized $5.0 billion in funds for use in the company's common stock repurchase program. On April 30, 2013 and October 29, 2013, the Board of Directors authorized an additional $5.0 billion and $15.0 billion, respectively, in funds for use in such program. The October 30, 2012 authorization was fully utilized in October 2013 and the April 30, 2013 authorization was fully utilized in December 2013. In each case, the company stated that it would repurchase shares on the open market or in private transactions depending on market conditions. The common stock repurchase program does not have an expiration date. This table does not include shares tendered to satisfy the exercise price in connection with cashless exercises of employee stock options or shares tendered to satisfy tax withholding obligations in connection with employee equity awards.

Item 6. Selected Financial Data:

Refer to pages 147 and 148 of IBM's 2013 Annual Report to Stockholders, which are incorporated herein by reference.

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

Refer to pages 26 through 75 of IBM's 2013 Annual Report to Stockholders, which are incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk:

Refer to the section titled "Market Risk" on pages 70 and 71 of IBM's 2013 Annual Report to Stockholders, which is incorporated herein by reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Stockholders and Board of Directors of
International Business Machines Corporation:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 25, 2014 appearing in the 2013 Annual Report to Shareholders of International Business Machines Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP
New York, New York
February 25, 2014

Weighted-average stock options to purchase 8,797 common shares in 2013 were outstanding, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares for the full year, and therefore, the effect would have been antidilutive. There were no stock options outstanding in 2012 and 2011 that were considered antidilutive and not included in the diluted earnings per share calculation.

NOTE Q.
RENTAL EXPENSE AND LEASE COMMITMENTS

Rental expense, including amounts charged to inventories and fixed assets, and excluding amounts previously reserved, was $1,759 million in 2013, $1,767 million in 2012 and $1,836 million in 2011. Rental expense in agreements with rent holidays and scheduled rent increases is recorded on a straight-line basis over the lease term. Contingent rentals are included in the determination of rental expense as accruable. The table below depicts gross minimum rental commitments under noncancelable leases, amounts related to vacant space associated with infrastructure reductions, sublease income commitments and capital lease commitments. These amounts reflect activities primarily related to office space, as well as manufacturing facilities.

($ in millions)

	2014	2015	2016	2017	2018	Beyond 2018
Operating lease commitments						
Gross minimum rental commitments (including vacant space below)	$1,492	$1,286	$1,016	$799	$620	$778
Vacant space	$ 24	$ 16	$ 6	$ 4	$ 1	$ 0
Sublease income commitments	$ 22	$ 16	$ 14	$ 9	$ 4	$ 7
Capital lease commitments	$ 16	$ 12	$ 13	$ 3	$ 9	$ 5

NOTE R.
STOCK-BASED COMPENSATION

Stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized over the employee requisite service period. See note A, "Significant Accounting Policies," on page 90 for additional information.

The following table presents total stock-based compensation cost included in the Consolidated Statement of Earnings.

($ in millions)

For the year ended December 31:	2013	2012	2011
Cost	**$ 122**	$ 132	$ 120
Selling, general and administrative	**435**	498	514
Research, development and engineering	**57**	59	62
Other (income) and expense	**—**	(1)	—
Pre-tax stock-based compensation cost	**614**	688	697
Income tax benefits	**(213)**	(240)	(246)
Total stock-based compensation cost	**$ 402**	$ 448	$ 450

Total unrecognized compensation cost related to non-vested awards at December 31, 2013 and 2012 was $995 million and $1,101 million, respectively. The amount at December 31, 2013 is expected to be recognized over a weighted-average period of approximately three years.

There was no significant capitalized stock-based compensation cost at December 31, 2013, 2012 and 2011.

Incentive Awards

Stock-based incentive awards are provided to employees under the terms of the company's long-term performance plans (the "Plans"). The Plans are administered by the Executive Compensation and Management Resources Committee of the Board of Directors (the "Committee"). Awards available under the Plans principally include stock options, restricted stock units, performance share units or any combination thereof.

The amount of shares originally authorized to be issued under the company's existing Plans was 274.1 million at December 31, 2013. In addition, certain incentive awards granted under previous plans, if and when those awards were canceled, could be reissued under the company's existing Plans. As such, 66.2 million additional awards were considered authorized to be issued under the company's existing Plans as of December 31, 2013. There were 118.6 million unused shares available to be granted under the Plans as of December 31, 2013.

Under the company's long-standing practices and policies, all awards are approved prior to or on the date of grant. The awards approval process specifies the individual receiving the grant, the number of options or the value of the award, the exercise price or formula for determining the exercise price and the date of grant. All awards for senior management are approved by the Committee. All awards for employees other than senior management are approved by senior management pursuant to a series of delegations that were approved by the Committee, and the grants made pursuant to these delegations are reviewed periodically with the Committee. Awards that are given as part of annual total compensation for senior management and other employees are made on specific cycle dates scheduled in advance. With respect to awards given in connection with promotions or new hires, the company's policy requires approval of such awards prior to the grant date, which is typically the date of the promotion or the date of hire.

Stock Options

Stock options are awards which allow the employee to purchase shares of the company's stock at a fixed price. Stock options are granted at an exercise price equal to the company's average high and low stock price on the date of grant. These awards, which generally vest 25 percent per year, are fully vested four years from the date of grant and have a contractual term of 10 years.

The company estimates the fair value of stock options at the date of grant using the Black-Scholes valuation model. Key inputs and assumptions used to estimate the fair value of stock options include the grant price of the award, the expected option term, volatility of the company's stock, the risk-free rate and the company's dividend yield. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the company.

During the years ended December 31, 2013, 2012 and 2011, the company did not grant stock options.

The following table summarizes option activity under the Plans during the years ended December 31, 2013, 2012 and 2011.

	2013		2012		2011	
	Weighted-Average Exercise Price	Number of Shares Under Option	Weighted-Average Exercise Price	Number of Shares Under Option	Weighted-Average Exercise Price	Number of Shares Under Option
Balance at January 1	**$94**	**11,389,721**	$90	20,662,322	$ 94	39,197,728
Options exercised	**90**	**(5,585,127)**	86	(9,080,170)	98	(18,144,309)
Options canceled/expired	**86**	**(181,643)**	75	(192,431)	107	(391,097)
Balance at December 31	**$97**	**5,622,951**	$94	11,389,721	$ 90	20,662,322
Exercisable at December 31	**$97**	**5,622,951**	$94	11,389,721	$ 90	20,662,322

The shares under option at December 31, 2013 were in the following exercise price ranges:

	Options Outstanding and Exercisable			
Exercise Price Range	Weighted-Average Exercise Price	Number of Shares Under Option	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life (in Years)
$85 and under	**$ 82**	**468,427**	**$ 49,244,658**	**2.1**
$86–$105	**98**	**4,908,689**	**440,012,196**	**1.1**
$106 and over	**106**	**245,835**	**20,055,475**	**0.2**
	$ 97	**5,622,951**	**$509,312,330**	**1.1**

In connection with various acquisition transactions, there was an additional 0.6 million stock-based awards, consisting of stock options and restricted stock units, outstanding at December 31, 2013, as a result of the company's assumption of stock-based awards previously granted by the acquired entities. The weighted-average exercise price of these awards was $67 per share.

Exercises of Employee Stock Options

The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was $614 million, $1,005 million and $1,269 million, respectively. The total cash received from employees as a result of employee stock option exercises for the years ended December 31, 2013, 2012 and 2011 was approximately $505 million, $785 million and $1,786 million, respectively. In connection with these exercises, the tax benefits realized by the company for the years ended December 31, 2013, 2012 and 2011 were $199 million, $341 million and $412 million, respectively.

The company settles employee stock option exercises primarily with newly issued common shares and, occasionally, with treasury shares. Total treasury shares held at December 31, 2013 and 2012 were approximately 1,153 million and 1,080 million shares, respectively.

Stock Awards

In lieu of stock options, the company currently grants its employees stock awards. These awards are made in the form of Restricted Stock Units (RSUs), including Retention Restricted Stock Units (RRSUs), or Performance Share Units (PSUs).

The tables below summarize RSU and PSU activity under the Plans during the years ended December 31, 2013, 2012 and 2011.

RSUs

	2013		2012		2011	
	Weighted-Average Grant Price	Number of Units	Weighted-Average Grant Price	Number of Units	Weighted-Average Grant Price	Number of Units
Balance at January 1	**$148**	**9,841,461**	$129	12,218,601	$110	11,196,446
RSUs granted	**189**	**2,541,081**	184	2,635,772	154	5,196,802
RSUs released	**131**	**(2,952,363)**	117	(4,338,787)	106	(3,508,700)
RSUs canceled/forfeited	**154**	**(794,862)**	139	(674,125)	122	(665,947)
Balance at December 31	**$166**	**8,635,317**	$148	9,841,461	$129	12,218,601

PSUs

	2013		2012		2011	
	Weighted-Average Grant Price	Number of Units	Weighted-Average Grant Price	Number of Units	Weighted-Average Grant Price	Number of Units
Balance at January 1	**$151**	**3,172,201**	$122	3,686,991	$111	3,649,288
PSUs granted at target	**195**	**869,875**	185	1,004,003	154	1,055,687
Additional shares earned above target*	**118**	**152,069**	102	550,399	118	230,524
PSUs released	**118**	**(1,321,784)**	102	(1,998,746)	118	(1,189,765)
PSUs canceled/forfeited	**170**	**(48,067)**	131	(70,446)	118	(58,743)
Balance at December 31**	**$178**	**2,824,294**	$151	3,172,201	$122	3,686,991

* Represents additional shares issued to employees after vesting of PSUs because final performance metrics exceeded specified targets.

** Represents the number of shares expected to be issued based on achievement of grant date performance targets. The actual number of shares issued depends on the company's performance against specified targets over the vesting period.

RSUs are stock awards granted to employees that entitle the holder to shares of common stock as the award vests, typically over a one- to five-year period. For RSUs, dividend equivalents are not paid. The fair value of such RSUs is determined and fixed on the grant date based on the company's stock price adjusted for the exclusion of dividend equivalents.

The remaining weighted-average contractual term of RSUs at December 31, 2013, 2012 and 2011 is the same as the period over which the remaining cost of the awards will be recognized, which is approximately three years. The fair value of RSUs granted during the years ended December 31, 2013, 2012 and 2011 was $481 million, $486 million and $803 million, respectively. The total fair value of RSUs vested and released during the years ended December 31, 2013, 2012 and 2011 was $386 million, $509 million and $373 million, respectively. As of December 31, 2013, 2012 and 2011, there was $871 million, $938 million and $1,021 million, respectively, of unrecognized compensation cost related to non-vested RSUs. The company received no cash from employees as a result of employee vesting and release of RSUs for the years ended December 31, 2013, 2012 and 2011. In the second quarter of 2011, the company granted equity awards valued at approximately $1 thousand each to about 400,000 non-executive employees. These awards were made under the Plans and vest in December 2015.

PSUs are stock awards where the number of shares ultimately received by the employee depends on the company's performance against specified targets and typically vest over a three-year period. For PSUs, dividend equivalents are not paid. The fair value of each PSU is determined on the grant date, based on the company's stock price, adjusted for the exclusion of dividend equivalents, and assumes that performance targets will be achieved. Over the performance period, the number of shares of stock that will be issued is adjusted upward or downward based upon the probability of achievement of performance targets. The ultimate number of shares issued and the related compensation cost recognized as expense will be based on a comparison of the final performance metrics to the specified targets. The fair value of PSUs granted at target during the years ended December 31, 2013, 2012 and 2011 was $170 million, $186 million and $165 million, respectively. Total fair value of PSUs vested and released during the years ended December 31, 2013, 2012 and 2011 was $156 million, $203 million and $141 million, respectively.

In connection with vesting and release of RSUs and PSUs, the tax benefits realized by the company for the years ended December 31, 2013, 2012 and 2011 were $312 million, $454 million and $283 million, respectively.

IBM Employees Stock Purchase Plan

The company maintains a non-compensatory Employees Stock Purchase Plan (ESPP). The ESPP enables eligible participants to purchase full or fractional shares of IBM common stock at a 5 percent discount off the average market price on the day of purchase through payroll deductions of up to 10 percent of eligible compensation. Eligible compensation includes any compensation received by the employee during the year. The ESPP provides for offering periods during which shares may be purchased and continues as long as shares remain available under the ESPP, unless terminated earlier at the discretion of the Board of Directors. Individual ESPP participants are restricted from purchasing more than $25,000 of common stock in one calendar year or 1,000 shares in an offering period.

Employees purchased 1.5 million, 1.6 million and 1.9 million shares under the ESPP during the years ended December 31, 2013, 2012 and 2011, respectively. Cash dividends declared and paid by the company on its common stock also include cash dividends on the company stock purchased through the ESPP. Dividends are paid on full and fractional shares and can be reinvested in the ESPP. The company stock purchased through the ESPP is considered outstanding and is included in the weighted-average outstanding shares for purposes of computing basic and diluted earnings per share.

Approximately 2.3 million, 3.8 million and 5.4 million shares were available for purchase under the ESPP at December 31, 2013, 2012 and 2011, respectively.

NOTE S.
RETIREMENT-RELATED BENEFITS

Description of Plans

IBM sponsors defined benefit pension plans and defined contribution plans that cover substantially all regular employees, a supplemental retention plan that covers certain U.S. executives and nonpension postretirement benefit plans primarily consisting of retiree medical and dental benefits for eligible retirees and dependents.

U.S. Plans

Defined Benefit Pension Plans

IBM Personal Pension Plan

IBM provides U.S. regular, full-time and part-time employees hired prior to January 1, 2005 with noncontributory defined benefit pension benefits via the IBM Personal Pension Plan. Prior to 2008, the IBM Personal Pension Plan consisted of a tax qualified (qualified) plan and a non-tax qualified (nonqualified) plan. Effective January 1, 2008, the nonqualified plan was renamed the Excess Personal Pension Plan (Excess PPP) and the qualified plan is now referred to as the Qualified PPP. The combined plan is now referred to as the PPP. The Qualified PPP is funded by company contributions to an irrevocable trust fund, which is held for the sole benefit of participants and beneficiaries. The Excess PPP, which is unfunded, provides benefits in excess of IRS limitations for qualified plans.

Benefits provided to the PPP participants are calculated using benefit formulas that vary based on the participant. The first method uses a five-year, final pay formula that determines benefits based on salary, years of service, mortality and other participant-specific factors. The second method is a cash balance formula that calculates benefits using a percentage of employees' annual salary, as well as an interest crediting rate.

Benefit accruals under the IBM Personal Pension Plan ceased December 31, 2007 for all participants.

U.S. Supplemental Executive Retention Plan

The company also sponsors a nonqualified U.S. Supplemental Executive Retention Plan (Retention Plan). The Retention Plan, which is unfunded, provides benefits to eligible U.S. executives based on average earnings, years of service and age at termination of employment.

Benefit accruals under the Retention Plan ceased December 31, 2007 for all participants.

Defined Contribution Plans

IBM 401(k) Plus Plan

U.S. regular, full-time and part-time employees are eligible to participate in the IBM 401(k) Plus Plan, which is a qualified defined contribution plan under section 401(k) of the Internal Revenue Code. Effective January 1, 2008, under the IBM 401(k) Plus Plan, eligible employees receive a dollar-for-dollar match of their contributions up to 6 percent of eligible compensation for those hired prior to January 1, 2005, and, generally up to 5 percent of eligible compensation for those hired on or after January 1, 2005. In addition, eligible employees receive automatic contributions from the company equal to 1, 2 or 4 percent of eligible compensation based on their eligibility to participate in the PPP as of December 31, 2007. Employees generally receive automatic contributions and matching contributions after the completion of one year of service. Further, through June 30, 2009, IBM contributed transition credits to eligible participants' 401(k) Plus Plan accounts. The amount of the transition credits was based on a participant's age and service as of June 30, 1999.

The company's matching contributions vest immediately and participants are always fully vested in their own contributions. All contributions, including the company match, are made in cash and invested in accordance with participants' investment elections. There are no minimum amounts that must be invested in company stock, and there are no restrictions on transferring amounts out of company stock to another investment choice, other than excessive trading rules applicable to such investments. Effective January 1, 2013, matching and automatic contributions are made once annually at the end of the year. In order to receive such contributions each year, a participant must be employed on December 15 of the plan year. However, if a participant separates from service prior to December 15, and has completed certain service and/or age requirements, then the participant will be eligible to receive such matching and automatic contributions following separation from service.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐

Check the appropriate box:
☐ Preliminary Proxy Statement
☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
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☐ Soliciting Material Pursuant to §240.14a-12

International Business Machines Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
☒ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Section 2: Additional Information

Compensation Program as it Relates to Risk

IBM management, the Compensation Committee and the Committee's outside consultant review IBM's compensation policies and practices, with a focus on incentive programs, to ensure that they do not encourage excessive risk taking. This review includes the cash incentive programs and the LTIP that cover all executives and employees. Based on this comprehensive review, we concluded that our compensation program does not encourage excessive risk taking for the following reasons:

- Our programs appropriately balance short- and long-term incentives, with approximately 70% of 2014 total target compensation for the Chairman and CEO and SVPs as a group provided in equity and focused on long-term performance.

- Our executive compensation program pays for performance against financial targets that are set to be challenging to motivate a high degree of business performance, with an emphasis on longer-term financial success and prudent risk management.

- Our incentive plans include a profit metric as a significant component of performance to promote disciplined progress toward financial goals. None of IBM's incentive plans are based solely on signings or revenue targets, which mitigates the risk of employees focusing exclusively on the short term.

- Qualitative factors beyond the quantitative financial metrics are a key consideration in the determination of individual executive compensation payments. How our executives achieve their financial results, integrate across lines of business, and demonstrate leadership consistent with the IBM values are key to individual compensation decisions.

- As explained in the 2013 Potential Payments Upon Termination Narrative, we further strengthened our retirement policies on equity grants for our senior leaders beginning in 2009 to ensure that the long-term interests of the Company continue to be the focus even as these executives approach retirement.

- Our stock ownership guidelines require that members of the Performance Team, which includes the Chairman and CEO and each SVP, hold a significant amount of IBM equity to further align their interests with stockholders over the long term.

- IBM has a policy that requires a clawback of cash incentive payments in the event that an executive officer's conduct leads to a restatement of the Company's financial results. Likewise, the Company's equity plan has a clawback provision which states that awards may be cancelled and certain gains repaid if an employee engages in detrimental activity. To further reinforce our commitment to ethical conduct, the IBM Excess 401(k) Plus Plan allows the clawback of Company contributions made after March 2010 if a participant engages in detrimental activity.

We are confident that our compensation program is aligned with the interests of our stockholders, rewards for performance, and is an example of the strong pay practice emphasized by expert commentators on this topic.

Elements of Compensation Programs and Linkage to Objectives

To supplement the discussion in Section 1, the following is a description of the Company's compensation elements and the objectives they are designed to support. As noted in Section 1: Executive Compensation Summary, IBM's compensation practices are designed to meet five key objectives.

In total, these elements support the objective to balance rewards between short-term results and the long-term strategic decisions needed to ensure sustained business performance over time.

Compensation Element/Eligibility	Description	Linkage to Compensation Objectives
Current Year Performance		

Salary *All executives including those executives listed in the proxy statement tables (Named Executive Officers or NEOs)*	Salary is a market-competitive, fixed level of compensation.	Attract and retain highly qualified leaders Motivate high business performance
Annual Incentive *All executives, including NEOs*	Combined with salary, the target level of annual incentive provides a market-competitive total cash opportunity.	Attract and retain highly qualified leaders Motivate high business performance
	Actual annual incentive payout depends on individual and Company performance. Lowest performers receive no incentive payment.	Vary compensation based on individual and team performance
Long-Term Incentive Plan		
Performance Share Units (PSUs) *Approximately 530 executives based on job scope, including NEOs*	Equity grant value based on individual performance and retention objectives for each executive. Grant value is converted to the number of shares granted by dividing the planned value by the predetermined, formulaic planning price* in effect for the quarter. Number of shares granted is adjusted up or down at the end of the three-year performance period based on Company performance against operating earnings per share and free cash flow targets. Encourages sustained, long-term growth by linking a portion of compensation to the long-term Company performance. Paid in IBM shares upon completion of the three-year performance period, linking the compensation value further to the long-term performance of IBM.	Align executive and stockholder interests Attract and retain highly qualified leaders Motivate high business performance

* IBM's planning price is computed each quarter using a consistent statistical forecasting procedure based on historical IBM stock price data. IBM uses the quarterly planning price to aid in establishing the overall size of the equity plan and to give more consistency across equity grants made at different points in the quarter.

Compensation Element/Eligibility	Description	Linkage to Compensation Objectives
Long-Term Incentive Plan (continued)		

Performance Uplift *Select members of the G&TT (excluding the Chairman and CEO and SVPs)*	Equity award decided annually by the Chairman and CEO and delivered to select executives in PSUs. Selective recognition of those members of the G&TT who have demonstrated extraordinary results in supporting the Company's continued transformation by promoting innovation, speed and simplicity in service of our clients. Receiving an uplift award one year does not guarantee awards in subsequent years.	Motivate high business performance Vary compensation based on individual and team performance
Annual Stock-Based Grant *All executives*	Annual equity grants may be made in the form of restricted stock units (RSUs) or stock options, or some combination. The amount of an annual grant is dependent on the level of the executive and individual performance, with lowest performers receiving no grant. Planned grant value is converted to the number of shares granted by dividing the planned value by the predetermined, formulaic planning price* in effect for the quarter and, for stock option grants, the respective Black-Scholes valuation factor. Awards generally vest over a 1 to 4 year period.	Align executive and stockholder interests Attract and retain highly qualified leaders Motivate high business performance Vary compensation based on individual and team performance

* IBM's planning price is computed each quarter using a consistent statistical forecasting procedure based on historical IBM stock price data. IBM uses the quarterly planning price to aid in establishing the overall size of the equity plan and to give more consistency across equity grants made at different points in the quarter.

Compensation Element/Eligibility	Description	Linkage to Compensation Objectives
Retention, Pension & Savings		
Retention Stock-Based Grants & Cash Awards *Select executives determined each year, including some NEOs*	Periodically, management reviews the retention strategy for high-performing executives and may make retention equity grants with a vesting provision or cash payments with a clawback to select executives.	Align executive and stockholder interests Retain highly qualified leaders

Pension and Savings Plans *All executives, including NEOs*	Like all IBM employees, executives participate in the local pension and savings plans sponsored by IBM in their country under the same terms and conditions as all employees.	Attract and retain highly qualified leaders
Other Executive Retention Programs *Select executives, including NEOs hired prior to May 1, 2004*	Separate plans established more than 13 years ago in some countries (including the U.S.) to encourage full-career retention of key executives. Important during a time of significant business transformation for IBM; the programs are now closed. Accrual of future benefits under the retention plan stopped in the U.S. on December 31, 2007.	Attract and retain highly qualified leaders
Excess 401(k) Plus Plan *U.S. employees with compensation expected to exceed applicable IRS limits, including NEOs*	Established in accordance with U.S. Department of Labor and Internal Revenue Service guidelines to provide employees with the ability to save for use after their career by deferring compensation in excess of limits applicable to 401(k) plans. Prior to January 1, 2008, cash and equity could be deferred under the plan. Effective January 1, 2008, equity deferral elections can no longer be made under the plan.	Align executive and stockholder interests Attract and retain highly qualified leaders

Setting Performance Targets for Incentive Compensation

Compensation of our senior leaders is highly linked with Company performance against four key metrics, consistent with our overall financial model:

1. Revenue Growth
2. Operating Net Income
3. Operating EPS
4. Free Cash Flow

These metrics and their weightings align with IBM's financial model and are designed to appropriately balance both short- and long-term objectives. Targets are set for both the annual and long-term incentive programs at aggressive levels each year to motivate a high degree of business performance with emphasis on longer-term financial objectives. These targets, individually and together, are designed to be challenging to attain and are set within the parameters of our long-term financial model with profit expansion and growth objectives aligned with our disclosed financial roadmap to 2015. As part of IBM's ongoing management system, targets are evaluated to ensure they do not include an inappropriate amount of risk.

Apart from the linkage to its long-term financial model, IBM is not disclosing specific targets under the annual and long-term plans because it would signal IBM's strategic focus areas and impair IBM's ability to leverage these areas for competitive advantage. For example, disclosure of our free cash flow targets would provide insight into timing of large capital investments or acquisitions. Knowledge of the targets could also be used by competitors to take advantage of insight into specific areas to target the recruitment of key skills from IBM. Disclosing the specific targets and metrics used in the qualitative assessment made by the Chairman and CEO would give our competitors our insight to key market dynamics and areas that could be used against IBM competitively by industry consultants or competitors targeting existing customers.

Our financial model is well communicated to investors, and our performance targets are based on this model. We also describe the performance relative to the pre-set objectives in our discussion of named executive officer compensation decisions. Finally, outlined below is a description of the specific metrics and weightings for the Annual Incentive and the Performance Share Unit Programs.

Annual Incentive Program

The Company sets business objectives at the beginning of each year that are reviewed by the Board of Directors. These objectives translate to targets for the Company and for each business unit for purposes of determining the target funding of the Annual Incentive Program. Performance against business objectives determines the actual total funding pool for the year which can vary from 0% to 200% of total target incentives for all executives. At the end of the year, management assesses the financial performance for the Company based on performance against financial metrics. Each year the Compensation Committee and the Board of Directors review IBM's annual business objectives and set the metrics and weightings for the annual program reflecting current business priorities. The metrics and weightings for 2013 and 2014 are listed below.

Financial Metric	2013 and 2014 Weighting in Overall Score
Operating Net Income	60%
Revenue Growth	20%
Free Cash Flow	20%

Overall funding for the Annual Incentive Program, which covers approximately 5,200 executives, is based on the performance results against these targets and may be adjusted for extraordinary events if deemed appropriate by the Chairman and CEO and Compensation Committee. This adjustment can be either up or down. For example, adjustments are usually made for large divestitures and acquisitions. In 2013, no adjustments for extraordinary events were made. In addition, the Chairman and CEO can recommend an adjustment, up or down, to the overall funding of the program based on factors beyond IBM's financial performance, such as client satisfaction, market share growth and workforce development, among others. For 2013, the Compensation Committee approved a downward adjustment to the score based on the review of factors beyond IBM's financial performance. The Compensation Committee reviews the financial scoring and qualitative adjustments and approves the Annual Incentive Program funding level. Once the total pool funding level has been approved, a lower-performing executive will receive as little as zero payout and the most exceptional performers are capped at three times their individual target incentive (payouts at this level are rare and only possible when IBM's performance has also been exceptional).

Performance Share Unit Program

Operating EPS and free cash flow targets for the Performance Share Unit program are set at the beginning of each three-year performance period, taking into account the Company's financial model shared with investors, including the impact our share buyback program has on operating EPS. At the end of the three years, the score is calculated based on results against the predetermined targets, with the following weights:

Financial Metric	2013 Weighting in Overall Score	2014 Weighting in Overall Score
Operating Earnings Per Share	80%	70%
Free Cash Flow	20%	30%

Adjustments can be made for extraordinary events if deemed appropriate by the Chairman and CEO and the Compensation Committee—for example, large divestitures. In 2013, no adjustments were made.

The Compensation Committee approves the determination of actual performance relative to pre-established targets, and the number of Performance Share Units is adjusted up or down based on the approved actual performance from 0% to 150%. There is no discretionary adjustment to the Performance Share Unit program score.

For 2014, the weighting on free cash flow has increased to 30%. This change strengthens the alignment with the importance of free cash flow.

Equity Award Practices

Under IBM's long-standing practices and policies, all equity awards are approved before or on the date of grant. The exercise price of at-the-money stock options is the average of the high and low market price on the date of grant or, in the case of premium-priced stock options, 10% above that average.

The approval process specifies the individual receiving the grant, the number of units or the value of the award, the exercise price or formula for determining the exercise price, and the date of grant. All equity awards for Senior Executives are approved by the Compensation Committee. All equity awards for employees other than Senior Executives are approved by Senior Executives pursuant to a series of delegations that were approved by the Compensation Committee, and the grants made pursuant to these delegations are reviewed periodically with the Committee.

Equity awards granted as part of annual total compensation for senior leaders and other employees are made on specific cycle dates scheduled in advance. IBM's policy for new hires and promotions requires approval of any awards before or on the grant date, which is typically the date of the promotion or hire.

Ethical Conduct

Every executive is held accountable to comply with IBM's high ethical standards: IBM's Values, including "Trust and Personal Responsibility in all Relationships," and IBM's Business Conduct Guidelines. This responsibility is reflected in each executive's Personal Business Commitments, and is reinforced through each executive's annual certification to the IBM Business Conduct Guidelines. An executive's compensation is tied to compliance with these standards; compliance is also a condition of IBM employment for each executive. Annual cash incentive payments are also conditioned on compliance with these Guidelines.

The Company's equity plans and agreements have a clawback provision—awards may be cancelled and certain gains repaid if an employee engages in activity that is detrimental to the Company, such as violating the Company's Business Conduct Guidelines, disclosing confidential information, or performing services for a competitor. To further reinforce our commitment to ethical conduct, the Excess 401(k) Plus Plan allows the clawback of Company contributions made after March 2010 if a participant engages in activity that is detrimental to the Company.

In addition, approximately 2,000 of our key executives (including each of the named executive officers) have agreed to a non-competition, non-solicitation agreement that prevents them from working for certain competitors within 12 months of leaving IBM or soliciting employees within two years of leaving IBM.

The Committee has also implemented the following policy for the clawback of cash incentive payments in the event an executive officer's conduct leads to a restatement of the Company's financial results:

> To the extent permitted by governing law, the Company will seek to recoup any bonus or incentive paid to any executive officer if (i) the amount of such payment was based on the achievement of certain financial results that were subsequently the subject of a restatement, (ii) the Board determines that such officer engaged in misconduct that resulted in the obligation to restate, and (iii) a lower payment would have been made to the officer based upon the restated financial results.

Hedging Practices

The Company does not allow any member of the G&TT, including any named executive officer, to hedge the economic risk of their ownership of IBM securities, which includes entering into any derivative transaction on IBM stock (e.g., any short-sale, forward, option, collar, etc.).

Tax Considerations

Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, limits deductibility of compensation in excess of $1 million paid to the Company's CEO and to each of the other three highest-paid executive officers (not including the Company's chief financial officer) unless this compensation qualifies as "performance-based." Based on the applicable tax regulations, taxable compensation derived from certain stock appreciation rights and from the exercise of stock options by Senior Executives under the Company's Long-Term Performance Plans should qualify as performance-based. The IBM Excess 401(k) Plus Plan permits an executive officer who is subject to Section 162(m) and whose salary is above $1 million to defer payment of a sufficient amount of the salary to bring it below the Section 162(m) limit. In 1999, the Company's stockholders approved the terms under which the Company's annual and long-term performance incentive awards should qualify as performance-based. In 2004 and 2009, as required by the Internal Revenue Code, the stockholders approved the material terms of the performance criteria under which long-term performance incentive awards should qualify as performance-based. In this Proxy Statement, stockholders are being asked again to approve the material terms of the performance criteria for the long-term performance incentive awards. These terms do not preclude the Committee from making any payments or granting any awards, whether or not such payments or awards qualify for tax deductibility under Section 162(m), which may be appropriate to retain and motivate key executives.

2013 SUMMARY COMPENSATION TABLE NARRATIVE

Operating Earnings Per Share (Operating EPS) and Free Cash Flow are non-GAAP financial measures. For reconciliation to GAAP and other information regarding these items, see Non-GAAP Supplemental Materials and related information in the Form 10-K submitted to the SEC on February 25, 2014.

Salary (Column (c))

Amounts shown in the salary column reflect the salary amount paid to each named executive officer during 2013.

- IBM reviews salaries for each named executive officer annually during a common review cycle. Mrs. Rometty's salary rate was effective January 1, 2012, the date she became CEO. The salary rates for the other named executive officers were effective as of July 1, 2011.

- See Section 1 of the 2013 Compensation Discussion and Analysis for an explanation of the amount of salary and other compensation elements in proportion to total compensation.

Bonus (Column (d))

No bonuses were awarded to the named executive officers, other than Mr. Kelly, in the years shown in the 2013 Summary Compensation Table. Mr. Kelly received patent issuance and invention achievement awards in 2013. All employees are eligible for these awards. Payments under the IBM Annual Incentive Program are included under column (g) (Non-Equity Incentive Plan Compensation).

Stock Awards Total (Column (e))

The amounts shown are the aggregate grant date fair values of Performance Share Units (PSUs) and Retention Restricted Stock Units (RRSUs) granted in each fiscal year shown, computed in accordance with accounting guidance (excluding any risk of forfeiture as per SEC regulations). The values shown for the PSU awards are calculated at the Target number, as described below. The values shown for the RRSUs reflect an adjustment for the exclusion of dividend equivalents.

Performance Share Units (PSUs)

The following describes the material terms and conditions of PSUs as reported in the column titled Performance Share Units (column (e)) in the 2013 Summary Compensation Table and in the 2013 Grants of Plan-Based Awards Table under the heading Estimated Future Payouts Under Equity Incentive Plan Awards (columns (f), (g) and (h)).

General Terms

- One PSU is equivalent in value to one share of IBM common stock.
- Executive officers are awarded a number of PSUs during the first year of the three-year performance period. PSUs are generally paid out in IBM common stock after the three-year performance period.
- Performance targets for cumulative three-year attainment in operating earnings per share and free cash flow are set at the beginning of the three-year performance period. These targets are approved by the Compensation Committee.
- At the end of the three-year performance period, the Compensation Committee approves the determination of actual performance relative to pre-established targets, and the number of PSUs is adjusted up or down based on the approved actual performance.
- PSUs granted to U.S. executives on or after January 1, 2013 vest on December 31 of the end of the performance period. Awards granted prior to such date vest on the payout date. Payout for all PSUs remains in the February following the end of the performance period.
- There are no dividends or dividend equivalents paid on PSUs.

Vesting and Payout Calculations

- The performance period for the awards granted in 2013 is January 1, 2013 through December 31, 2015, and the awards will pay out in February 2016. PSU awards granted in 2013 will be adjusted for performance, as described below.
- Outstanding PSUs are typically cancelled if the executive's employment is terminated. See the 2013 Potential Payments Upon Termination Narrative for information on payout of unvested PSUs upon certain terminations.
- Payout will not be made for performance below the thresholds, as described below.
- For PSUs that were paid out on or before February 1, 2008, the executive could have elected, at least six months prior to vesting, to defer payment of these shares into the IBM Excess 401(k) Plus Plan. For PSUs that pay out after February 1, 2008, deferrals are not permitted.
- See Section 2 of the 2013 Compensation Discussion and Analysis for information on performance targets for the PSU program.

Threshold Number:

- The Threshold number of PSUs (listed in column (f) of the 2013 Grants of Plan-Based Awards Table) is 25% of the Target number.
- The Threshold number of PSUs will be earned for achievement of 70% of both business objectives (operating earnings per share and free cash flow).

- If only the cumulative operating earnings per share target is met at the Threshold level (and the free cash flow target is not met), the number of PSUs earned would be 80% of the Threshold number.

- If only the cumulative free cash flow target is met at the Threshold level (and the operating earnings per share target is not met), the number of PSUs earned would be 20% of the Threshold number.

Target Number:

- The Target number of PSUs (listed in column (g) of the 2013 Grants of Plan-Based Awards Table) will be earned if 100% of the objectives are achieved.

Maximum Number:

- The Maximum number of PSUs (listed in column (h) of the 2013 Grants of Plan-Based Awards Table) is 150% of the Target number.

- The Maximum number of PSUs will be earned for achieving 120% of both business objectives.

Restricted Stock Units (RSUs)

Restricted Stock Units (RSUs) may include RRSUs. In 2013, RRSUs were granted to Mr. Weber; no other RSUs were granted to the named executive officers. RRSUs granted in previous years to the named executive officers and outstanding at the end of 2013 are included in the 2013 Outstanding Equity Awards at Fiscal Year-End Table.

In addition, the column titled Stock Awards in the 2013 Option Exercises and Stock Vested Table include previously-granted RRSUs. Also, Deferred IBM Shares in the 2013 Nonqualified Deferred Compensation Table include certain previously-granted RRSUs.

General Terms

- One RSU or RRSU is equivalent in value to one share of IBM common stock. RSUs and RRSUs are generally paid out in IBM common stock at vesting.

- Dividend equivalents are not paid on RSUs or RRSUs granted on or after January 1, 2008. Dividend equivalents are paid on RSUs and RRSUs granted before January 1, 2008 at the same rate and at the same time as the dividends paid to IBM stockholders.

Vesting and Payout

- Vesting periods for RSUs typically range from one to four years.

- Vesting periods for RRSUs typically range from two to five years and can be as long as ten years; these awards are typically given to select senior executives for the purpose of providing additional value to retain the executive through the vesting date.

- Payout of RSUs at each vesting date is typically contingent on the recipient remaining employed by IBM through that vesting date. See the 2013 Potential Payments Upon Termination Narrative for information on payout of unvested RSUs upon certain terminations.

- Payout of RRSUs is typically contingent on the recipient remaining employed by IBM until the end of each vesting period.

- Executives have not been allowed to defer payment of RSUs.
- For RRSUs granted before January 1, 2008, the executive could have elected to defer payment of those shares into the IBM Excess 401(k) Plus Plan. For RRSUs granted on or after January 1, 2008, deferrals are not permitted.
- From time to time, special performance-based RSUs may be granted with performance contingent vesting.

Option Awards (Column (f))

- There were no option awards granted to the named executive officers in the years shown in the 2013 Summary Compensation Table. Market-priced and premium-priced options granted in previous years to the named executive officers and outstanding at the end of 2013 are included in the 2013 Outstanding Equity Awards at Fiscal Year-End Table.

General Terms

- In accordance with IBM's LTPP, the exercise price of stock options is not less than the average of the high and low prices of IBM common stock on the New York Stock Exchange (NYSE) on the date of grant.
- Options generally vest in four equal increments on the first four anniversaries of the grant date.
- Options generally expire ten years after the date of grant.
- The option recipient must remain employed by IBM through each vesting date in order to receive any potential payout value.

Market-priced options:

- From 2005 to 2007, market-priced options were awarded to the named executive officers who participated in the IBM stock investment program (the Buy-First Program) by agreeing to invest 5, 10, or 15% of their annual incentive program payout in the IBM Stock Fund under the nonqualified deferred compensation plan.
- The exercise price is equal to the average of the high and low prices of IBM common stock on the NYSE on the date of grant.
- These options vest 100% three years after the date of grant.

Premium-priced options:

- The exercise price is equal to 110% of the average of the high and low prices of IBM common stock on the NYSE on the date of grant.
- These options vest in four equal increments on the first four anniversaries of the grant date.

Non-Equity Incentive Plan Compensation (Column (g))

Amounts in this column represent payments under IBM's Annual Incentive Program (AIP).

General Terms

- All named executive officers participate in this program. The performance period is the fiscal year (January 1 through December 31).
- Performance targets are set annually in the beginning of the year and generally encompass corporate-wide goals and business unit goals.
- See Section 2 of the 2013 Compensation Discussion and Analysis for information on performance targets for AIP.

Payout Range

- Mrs. Rometty had a target of $4 million for 2013. Messrs. Loughridge, Kelly, Weber and Mills had targets of 135% of their salary rate for 2013. See column (d) of the 2013 Grants of Plan-Based Awards Table for the target payout.
- Threshold payout for each named executive officer is $0 (see column (c) of the 2013 Grants of Plan-Based Awards Table).
- Maximum payout for each named executive officer is three times the target (see column (e) of the 2013 Grants of Plan-Based Awards Table).

Vesting and Payout

- In addition to performance against corporate-wide and business unit goals, individual performance against goals set at the beginning of the year determine payout amount.
- An executive generally must be employed by IBM at the end of the performance period in order to be eligible to receive an AIP payout. At the discretion of appropriate senior management, the Compensation Committee, or the Board, an executive may receive a prorated payout of AIP upon retirement.
- AIP payouts earned during the performance period are paid on or before March 15 of the year following the end of such period.

Change in Retention Plan Value (Column (h))

- Amounts in the column titled Change in Retention Plan Value represent the annual change in retention plan value from December 31, 2012 to December 31, 2013 for each named executive officer, other than Mr. Weber.
- See the 2013 Retention Plan Narrative for a description of the Retention Plan.

Change in Pension Value (Column (h))

- Amounts in the column titled Change in Pension Value represent the annual change in pension value from December 31, 2012 to December 31, 2013 for each named executive officer, other than Mr. Weber.
- See the 2013 Pension Benefits Narrative for a description of the IBM Personal Pension Plan and IBM Excess Personal Pension Plan.

Nonqualified Deferred Compensation Earnings (Column (h))

- IBM does not pay above-market or preferential earnings on nonqualified deferred compensation.
- See the 2013 Nonqualified Deferred Compensation Narrative for a description of the nonqualified deferred compensation plans in which the named executive officers participate.

All Other Compensation (Column (i))

Amounts in this column represent the following as applicable:

Tax Reimbursements

- Amounts represent payments that the Company has made to the named executive officers to cover taxes incurred by them for certain business-related taxable expenses.

- These expenses are: family travel to and attendance at Company-related events, and commutation expenses (see Personal Use of Company Autos below).

Company Contributions to Defined Contribution Plans

- Amounts represent Company matching and automatic contributions to the individual accounts for each named executive officer.

- Under IBM's 401(k) Plus Plan, participants hired before January 1, 2005, including Mrs. Rometty, Mr. Loughridge, Mr. Kelly and Mr. Mills, are eligible to receive matching contributions up to 6% of eligible compensation. Participants hired on or after January 1, 2005, who complete the plan's service requirement, including Mr. Weber, are generally eligible for up to 5% matching contributions. In addition, for all eligible participants, the Company makes automatic contributions equal to a certain percentage of eligible compensation, depending on the participant's pension plan eligibility on December 31, 2007. In 2013, the automatic contribution percentage was 4% for Mrs. Rometty, Mr. Loughridge, and Mr. Mills; 2% for Mr. Kelly; and 1% for Mr. Weber.

- Under IBM's Excess 401(k) Plus Plan, the Company makes matching contributions equal to a percentage of the sum of (i) the amount the participant elects to defer under the Excess 401(k) Plus Plan, and (ii) the participant's eligible compensation after reaching the Internal Revenue Code compensation limits. Participants hired before January 1, 2005, including Mrs. Rometty, Mr. Loughridge, Mr. Kelly and Mr. Mills, are eligible to receive matching contributions up to 6% of eligible compensation. Participants hired on or after January 1, 2005, who complete the plan's service requirement, including Mr. Weber, are eligible for up to 5% matching contributions. In addition, for all eligible participants, the Company makes automatic contributions equal to a percentage of the sum of (i) the amount the participant elects to defer under the Excess 401(k) Plus Plan, and (ii) the participant's eligible compensation after reaching the Internal Revenue Code compensation limits. The automatic contribution percentage depends on the participant's pension plan eligibility on December 31, 2007, and in 2013, the automatic contribution percentage was 4% for Mrs. Rometty, Mr. Loughridge and Mr. Mills; 2% for Mr. Kelly; and 1% for Mr. Weber.

- For purposes of calculating the matching contribution and the automatic contribution under the 401(k) Plus Plan, the participant's eligible compensation excludes the amount the participant elects to defer under the Excess 401(k) Plus Plan.

- See the 2013 Nonqualified Deferred Compensation Narrative for additional details on the nonqualified deferred compensation plans.

Life and Travel Accident Insurance Premiums

- Amounts represent insurance premiums paid by the Company on behalf of the named executive officers.

- These executive officers are covered by life insurance policies under the same terms as other U.S. full-time regular employees.

- Life insurance for executives hired before January 1, 2004, including Mrs. Rometty, Mr. Loughridge, Mr. Kelly and Mr. Mills, is two times salary plus annual incentive program target, with a maximum coverage amount of $2,000,000. Life insurance for executives hired on or after January 1, 2004, including Mr. Weber, is one times salary plus annual incentive program target, with a maximum coverage of $1,000,000.

- In addition, IBM provides Travel Accident Insurance for most employees in connection with business travel. Travel Accident Insurance for all eligible employees and executives is up to five times salary plus annual incentive target with a maximum coverage amount of $15,000,000.

Perquisites

The following describes perquisites (and their aggregate incremental cost calculations) provided to the named executive officers in 2013.

Personal Financial Planning

In 2013, IBM offered financial planning services with coverage generally up to $15,000 annually for senior U.S. executives, including each named executive officer.

Personal Travel on Company Aircraft

General Information

- Amounts represent the aggregate incremental cost to IBM for travel not directly related to IBM business.
- IBM's security practices provide that all air travel by the Chairman and CEO, including personal travel, be on Company aircraft. The aggregate incremental cost for Mrs. Rometty's personal travel is included in column (i) of the 2013 Summary Compensation Table. These amounts also include the aggregate incremental cost, if any, of travel by her family members or other non-IBM employees on both business and non-business occasions.
- Additionally, personal travel in 2013 on IBM aircraft by named executive officers other than Mrs. Rometty, and the aggregate incremental cost, if any, of travel by the officer's family or other non-IBM employees when accompanying the officer on both business and non-business occasions is also included.
- Also, from time to time, named executive officers who are members of the boards of directors of other companies and non-profit organizations travel on IBM aircraft to those outside board meetings. These amounts include travel related to participation on these outside boards.

- Any travel by named executive officers for an annual physical under the corporate wellness program is included in these amounts.

Aggregate Incremental Cost Calculation

- The aggregate incremental cost for the use of Company aircraft for personal travel, including travel to outside boards, is calculated by multiplying the hourly variable cost rate for the specific aircraft by the number of flight hours used.
- The hourly variable cost rate includes fuel, oil, parking/landing fees, crew expenses, aircraft maintenance (based on the hourly operation of the aircraft) and catering.
- The rate for each aircraft is periodically reviewed by IBM's flight operations team and adjusted as necessary to reflect changes in costs.
- The aggregate incremental cost includes deadhead flights (i.e., empty flights to and from the IBM hangar or any other location).
- The aggregate incremental cost for any charter flights is the full cost to IBM of the charter.

Personal Use of Company Autos

General Information

- IBM's security practices provide that the Chairman and CEO be driven to and from work by IBM personnel in a car leased by IBM or by an authorized car service.
- In addition, under IBM's security practices, the Chairman and CEO may use a Company-leased car with an IBM driver or

an authorized car service for non-business occasions. Further, the family of the Chairman and CEO may use a Company-leased car with an IBM driver or an authorized car service on non-business occasions or when accompanying the Chairman and CEO on business occasions.

- Other named executive officers may use a Company-leased car with an IBM driver or an authorized car service in extraordinary circumstances. Family members and other non-IBM employees may accompany named executive officers other than the Chairman and CEO in a Company-leased car with an IBM driver or an authorized car service on business occasions.

- Amounts reflect the aggregate incremental cost, if any, for the above-referenced items.

Aggregate Incremental Cost Calculation

- The incremental cost for the Company-leased car with an IBM driver or an authorized car service for commutation and non-business events is calculated by multiplying the variable rate by the applicable driving time. The variable rate includes drivers' salary and overtime payments, plus a cost per mile calculation based on fuel and maintenance expense.

- The incremental cost for an authorized car service is the full cost to IBM for such service.

Personal Security

General Information

- Under IBM's security practices, IBM provides security personnel for the Chairman and CEO on certain non-business occasions and for the family of the Chairman and CEO on certain non-business occasions or when accompanying her on business occasions.

- Amounts include the aggregate incremental cost, if any, of security personnel for those occasions.

- In addition, amounts also include the cost of home security systems and monitoring for the Chairman and CEO and any other named executive officers, if applicable.

Aggregate Incremental Cost Calculation

- The aggregate incremental cost for security personnel is the cost of any commercial airfare to and from the destination, hotels, meals, car services, and salary and travel expenses of any additional subcontracted personnel if needed.

- The aggregate incremental cost for installation, maintenance and monitoring services for home security systems reflects the full cost to IBM for these items.

Annual Executive Physical

- IBM covers the cost of an annual executive physical for the named executive officers under the Company's corporate wellness program.

- Amounts represent any payments by IBM for the named executive officers under this program.

Family Travel and Attendance at Company-Related Events

- Company-related events may include meetings, dinners and receptions with IBM's clients, executive management or board members attended by the named executive officers and their family members.

- Amounts represent the aggregate incremental cost, if any, of commercial travel and/or meals and entertainment for the family members of the named executive officers to attend Company-related events.

Other Personal Expenses

- Amounts represent the cost of meals and lodging for the named executive officers who traveled for their annual executive physical under the Company's corporate wellness program.

- Amounts also include expenses associated with participation on outside boards other than those disclosed as Personal Travel on Company Aircraft.

- Amounts also include ground transportation expenses, home office equipment, items received in connection with business events and administrative charges incurred by executives.

2013 SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Performance Share Units [1] ($) (e)	Restricted Stock Units [2] ($) (e)	Stock Awards Total[3] ($) (e)	Option Awards Total[4] ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Retention Plan Value[5] ($) (h)	Change in Pension Value[6] ($) (h)	Nonqualified Deferred Compensation Earnings[7] ($) (h)	All Other Compensation[8][9] ($) (i)	Total[10] ($) (j)
V.M. Rometty	2013	$1,500,000	$0	$11,703,869	$0	$11,703,869	$0	$0	$0	$0	$0	$761,808	$13,965,677
Chairman, President and CEO	2012	1,500,000	0	9,259,000	0	9,259,000	0	3,915,000	181,656	641,346	0	687,725	16,184,727
	2011	715,000	0	5,109,845	0	5,109,845	0	1,470,000	180,206	617,157	0	250,062	8,342,270
M. Loughridge[11]	2013	775,000	0	5,360,378	0	5,360,378	0	0	0	2,057,781	0	315,875	8,509,034
Senior VP and CFO, Finance	2012	775,000	0	4,398,025	0	4,398,025	0	1,202,900	428,278	1,008,806	0	330,046	8,143,055
and Enterprise Transformation	2011	747,500	0	4,087,876	0	4,087,876	0	1,359,800	510,704	1,150,367	0	163,143	8,019,390
J.E. Kelly III[12]	2013	625,000	850	4,941,039	0	4,941,039	0	0	0	0	0	128,016	5,694,905
Senior VP and Director, Research													
R.C. Weber [12]	2013	650,000	0	3,262,899	1,463,029	4,725,928	0	0	N/A	N/A	0	221,335	5,597,263
Senior VP, Legal and Regulatory Affairs and General Counsel													
S.A. Mills	2013	716,000	0	4,661,284	0	4,661,284	0	0	0	0	0	214,146	5,591,430
Senior VP and Group Executive,	2012	716,000	0	4,629,500	4,135,911	8,765,411	0	987,360	136,953	976,530	0	211,912	11,794,166
Software and Systems	2011	705,500	0	3,576,891	0	3,576,891	0	1,258,400	465,124	1,132,095	0	235,028	7,373,038

(1) The amounts in this column reflect the aggregate grant date fair values of Performance Share Unit (PSU) awards at the Target number (described in the 2013 Summary Compensation Table Narrative), calculated in accordance with accounting guidance. At the Maximum number, these values for Mrs. Rometty would be: 2013: $17,555,803; 2012: $13,888,500; 2011: $7,664,767; for Mr. Loughridge: 2013: $8,040,665; 2012: $6,597,038; 2011: $6,131,814; for Mr. Kelly: 2013: $7,411,656; for Mr. Weber: 2013: $4,894,446; and for Mr. Mills: 2013: $6,991,926; 2012: $6,944,250; 2011: $5,365,337.

(2) The amounts in these columns reflect the aggregate grant date fair values of Retention Restricted Stock Units (RRSUs), calculated in accordance with accounting guidance; these amounts reflect an adjustment for the exclusion of dividend equivalents.

(3) The amounts in this column reflect the total of the previous two columns (Performance Share Units and Restricted Stock Units). For assumptions used in determining the fair value of stock awards, see Note R (Stock-Based Compensation) to the Company's 2013 Consolidated Financial Statements.

(4) There were no option awards granted to the named executive officers in the years shown in the 2013 Summary Compensation Table.

(5) Assumptions used to calculate these amounts can be found immediately after the 2013 Retention Plan Table. For 2013, the change in Retention Plan Value for eligible named executive officers resulted in the following negative amounts: for Mrs. Rometty: $(130,705); for Mr. Loughridge: $(213,254); for Mr. Kelly: $(602,593); and for Mr. Mills: $(513,849). This negative change is primarily due to increases in the discount rate and the interest crediting rate.

(6) Assumptions used to calculate these amounts can be found immediately after the 2013 Pension Benefits Table. For 2013, the change in Pension Value for eligible named executive officers, except Mr. Loughridge, resulted in the following negative amounts: for Mrs. Rometty: $(499,471); for Mr. Kelly: $(17,511); and for Mr. Mills: $(509,879). This negative change is due to increases in the discount rate and the interest crediting rate.

(7) IBM does not provide above-market or preferential earnings on deferred compensation. See the 2013 Nonqualified

Deferred Compensation Narrative for information about deferred compensation.

(8) Amounts in this column include the following for 2013: for Mrs. Rometty: tax reimbursements of $18,878 and Company contributions to defined contribution plans of $541,500; for Mr. Loughridge: Company contributions to defined contribution plans of $197,790; for Mr. Kelly: Company contributions to defined contribution plans of $120,896; for Mr. Weber: Company contributions to defined contribution plans of $92,734; and for Mr. Mills: Company contributions to defined contribution plans of $170,336. In accordance with SEC rules, dividend equivalents paid in each of the years shown above on RSUs and RRSUs granted prior to January 1, 2008 are not included in "All Other Compensation" because those amounts were factored into the grant date fair values. RSUs and RRSUs granted on or after January 1, 2008 do not receive dividend equivalents.

(9) Amounts in this column also include the following perquisites for 2013: for Mrs. Rometty: personal financial planning, personal travel on Company aircraft of $151,933, personal use of Company autos, personal security, annual executive physical, family attendance at Company-related events, and other personal expenses; for Mr. Loughridge: personal financial planning, personal travel on Company aircraft of $77,489, personal use of Company autos, annual executive physical, family attendance at Company-related events, and other personal expenses; for Mr. Weber: personal financial planning, personal travel on Company aircraft of $91,180, annual executive physical, family attendance at Company-related events, and other personal expenses; and for Mr. Mills: personal financial planning, personal travel on Company aircraft, annual executive physical, family attendance at Company-related events, and other personal expenses. See the 2013 Summary Compensation Table Narrative for a description and information about the aggregate incremental cost calculations for perquisites.

(10) The amounts in this column reflect the total of the following columns: Salary, Bonus, Stock Awards Total, Option Awards Total, Non-Equity Incentive Plan Compensation, Change in Retention Plan Value, Change in Pension Value, Nonqualified Deferred Compensation Earnings and All Other Compensation.

(11) Mr. Loughridge retired on December 31, 2013.

(12) Mr. Kelly and Mr. Weber were not named executive officers in the Company's 2012 and 2013 Proxy Statements. Therefore, this table does not provide 2011 and 2012 data for them.

2013 GRANTS OF PLAN-BASED AWARDS TABLE

Name (a)	Type of Award [1]	Grant Date (b)	Compensation Committee Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units[3] (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards ($/Sh) (k)	Closing Price on the NYSE on the Date of Grant ($/Sh)	Grant Date Fair Value of Stock and Option Awards[4] ($) (l)
				Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)					
V.M. Rometty	AIP	N/A	10/30/2012	$0	$4,000,000	$12,000,000				0	0	N/A	N/A	
	PSU	01/02/2013	10/30/2012				15,958	63,830	95,745					$11,703,869
M. Loughridge	AIP	N/A	02/26/2013	0	1,046,000	3,138,000				0	0	N/A	N/A	
	PSU	06/07/2013	02/26/2013				6,845	27,381	41,072					5,360,378
J.E. Kelly III	AIP	N/A	02/26/2013	0	844,000	2,532,000				0	0	N/A	N/A	
	PSU	06/07/2013	02/26/2013				6,310	25,239	37,859					4,941,039
R.C. Weber	AIP	N/A	02/26/2013	0	878,000	2,634,000					0	N/A	N/A	
	PSU	06/07/2013	02/26/2013				4,167	16,667	25,001					3,262,899
	RRSU	01/02/2013	10/30/2012							7,979				1,463,029
S.A. Mills	AIP	N/A	02/26/2013	0	968,000	2,904,000				0	0	N/A	N/A	
	PSU	06/07/2013	02/26/2013				5,953	23,810	35,715					4,661,284

(1) Type of Award:
AIP = Annual Incentive Program
PSU = Performance Share Unit
RRSU = Retention Restricted Stock Unit

Each of these awards was granted under IBM's 1999 Long-Term Performance Plan. See 2013 Summary Compensation Table Narrative for additional information on these types of awards.

(2) PSU awards will be adjusted based on performance and paid in February 2016.

(3) Mr. Weber's award vests on June 30, 2014 provided that he is an employee of the Company as of that date.

(4) The amounts in this column reflect the aggregate grant date fair values of PSU and RRSU awards calculated in accordance with accounting guidance. The values shown for the PSU awards are based on the Target number, as described in the 2013 Summary Compensation Table Narrative. The values shown for the Retention Restricted Stock Units (RRSUs) reflect an adjustment for the exclusion of dividend equivalents.

2013 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END NARRATIVE

Option Awards (Columns (b)—(f))

- A Total line has been included for each named executive officer to provide a better understanding of the total number of options outstanding in each category (exercisable and unexercisable).
- As of December 31, 2013, all outstanding option awards for the named executive officers were fully vested.
- IBM has not granted any option awards that are Equity Incentive Plan Awards.
- See the 2013 Summary Compensation Table Narrative for more details on option awards.

Stock Awards (Columns (g)—(j))

Number of Shares or Units of Stock That Have Not Vested (Column (g))

The amounts in this column are the number of RRSUs that were outstanding as of December 31, 2013. There were no outstanding RSU awards as of December 31, 2013.

Market Value of Shares or Units of Stock That Have Not Vested (Column (h))

The amounts in this column are the value of RRSU awards disclosed in column (g), calculated by multiplying the number of units by the closing price of IBM stock on the last business day of the 2013 fiscal year ($187.57).

Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (Column (i))

The amounts in this column are the number of PSUs that were outstanding as of December 31, 2013.

Performance Share Units

- Amounts in column (i) reflect the Maximum number possible for each PSU award.
- The maximum payout level is 150% of the Target number, and the program has not paid out at the maximum level since the 1995-1997 performance period (which paid out in February 1998).
- The performance criteria for IBM's PSU program is based on cumulative three-year rolling targets. Therefore, measuring annual performance against these targets, which is required by the SEC rules, is not meaningful.
- See Section 2 of the 2013 Compensation Discussion and Analysis, as well as the 2013 Summary Compensation Table Narrative, for a detailed description of the PSU program, including payout calculations.
- The table below provides the payout levels for all outstanding PSU awards for each of the named executive officers.