

**Notes to Consolidated Financial Statements**

International Business Machines Corporation and Subsidiary Companies

Weighted-average stock options to purchase 855,679 common shares in 2019, 576,776 common shares in 2018 and 209,294 common shares in 2017 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.

**NOTE I. FINANCIAL ASSETS & LIABILITIES****Fair Value Measurements****Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following table presents the company's financial assets and financial liabilities that are measured at fair value on a recurring basis at December 31, 2019 and 2018.

(\$ in millions)		2019		2018	
At December 31:	Fair Value Hierarchy Level	Assets <sup>(7)</sup>	Liabilities <sup>(8)</sup>	Assets <sup>(7)</sup>	Liabilities <sup>(8)</sup>
Cash equivalents <sup>(1)</sup>					
Time deposits and certificates of deposit <sup>(4)</sup>	2	\$4,392	\$ —	\$7,679	\$ —
Money market funds	1	427	—	25	—
Total cash equivalents		\$4,819	\$ —	\$7,704	\$ —
Equity investments <sup>(2)</sup>	1	0	—	0	—
Debt securities—current <sup>(3) (4)</sup>	2	696	—	618	—
Debt securities—noncurrent <sup>(2) (4)</sup>	2	65	—	—	—
Derivatives designated as hedging instruments <sup>(5)</sup>					
Interest rate contracts	2	56	—	220	80
Foreign exchange contracts	2	175	635	483	239
Derivatives not designated as hedging instruments					
Foreign exchange contracts	2	10	33	26	13
Equity contracts <sup>(6)</sup>	1,2	1	4	2	51
<b>Total</b>		<b>\$5,823</b>	<b>\$673</b>	<b>\$9,053</b>	<b>\$383</b>

<sup>(1)</sup> Included within cash and cash equivalents in the Consolidated Balance Sheet.

<sup>(2)</sup> Included within investments and sundry assets in the Consolidated Balance Sheet.

<sup>(3)</sup> Included within marketable securities in the Consolidated Balance Sheet.

<sup>(4)</sup> Available-for-sale debt securities with carrying values that approximate fair value. The contractual maturities are substantially one year or less.

<sup>(5)</sup> Excludes \$7,324 million and \$6,261 million at December 31, 2019 and 2018, respectively, of debt designated as hedging instruments that are reported at carrying value.

<sup>(6)</sup> Level 1 includes immaterial amounts related to equity futures contracts.

<sup>(7)</sup> The gross balances of derivative assets contained within prepaid expenses and other current assets, and investments and sundry assets in the Consolidated Balance Sheet at December 31, 2019 were \$149 million and \$94 million, respectively, and at December 31, 2018 were \$385 million and \$347 million, respectively.

<sup>(8)</sup> The gross balances of derivative liabilities contained within other accrued expenses and liabilities, and other liabilities in the Consolidated Balance Sheet at December 31, 2019 were \$167 million and \$506 million, respectively, and at December 31, 2018 were \$177 million and \$206 million, respectively.