

**Defined Benefit Pension Plan Assets**

The following table presents the company's defined benefit pension plans' asset classes and their associated fair value at December 31, 2019. The U.S. Plan consists of the Qualified PPP and the non-U.S. Plans consist of all plans sponsored by the company's subsidiaries.

(\$ in millions)

	U.S. Plan				Non-U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Equity</b>								
Equity securities <sup>(1)</sup>	\$1,943	\$ —	\$ —	\$ 1,943	\$2,209	\$ 0	\$ —	\$ 2,209
Equity mutual funds <sup>(2)</sup>	85	—	—	85	—	—	—	—
<b>Fixed income</b>								
Government and related <sup>(3)</sup>	—	21,134	—	21,134	—	10,288	2	10,290
Corporate bonds <sup>(4)</sup>	—	16,666	518	17,185	—	2,124	—	2,124
Mortgage and asset-backed securities	—	630	—	630	—	19	—	19
Fixed income mutual funds <sup>(5)</sup>	386	—	—	386	—	—	—	—
Insurance contracts	—	—	—	—	—	1,862	—	1,862
Cash and short-term investments <sup>(6)</sup>	54	848	—	903	204	644	—	849
Real estate	—	—	—	—	—	—	328	328
Derivatives <sup>(7)</sup>	0	6	—	6	18	969	—	987
Other mutual funds <sup>(8)</sup>	—	—	—	—	25	0	—	25
<b>Subtotal</b>	<b>2,469</b>	<b>39,284</b>	<b>518</b>	<b>42,271</b>	<b>2,456</b>	<b>15,907</b>	<b>330</b>	<b>18,693</b>
Investments measured at net asset value using the NAV practical expedient <sup>(9)</sup>	—	—	—	9,519	—	—	—	21,653
Other <sup>(10)</sup>	—	—	—	(6)	—	—	—	(26)
<b>Fair value of plan assets</b>	<b>\$2,469</b>	<b>\$39,284</b>	<b>\$518</b>	<b>\$51,784</b>	<b>\$2,456</b>	<b>\$15,907</b>	<b>\$330</b>	<b>\$40,319</b>

<sup>(1)</sup> Represents U.S. and international securities. The U.S. Plan includes IBM common stock of \$2 million, representing 0.004 percent of the U.S. Plan assets. Non-U.S. Plans include IBM common stock of \$10 million, representing 0.02 percent of the non-U.S. Plans assets.

<sup>(2)</sup> Invests in predominantly equity securities.

<sup>(3)</sup> Includes debt issued by national, state and local governments and agencies.

<sup>(4)</sup> The U.S. Plan includes IBM corporate bonds of \$37 million, representing 0.07 percent of the U.S. Plan assets. Non-U.S. Plans include IBM corporate bonds of \$8 million, representing 0.02 percent of the non-U.S. Plans assets.

<sup>(5)</sup> Invests predominantly in fixed income securities.

<sup>(6)</sup> Includes cash, cash equivalents and short-term marketable securities.

<sup>(7)</sup> Includes interest rate derivatives, forwards, exchange traded and other over-the-counter derivatives.

<sup>(8)</sup> Invests in both equity and fixed-income securities.

<sup>(9)</sup> Investments measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient, including commingled funds, hedge funds, private equity and real estate partnerships.

<sup>(10)</sup> Represents net unsettled transactions, relating primarily to purchases and sales of plan assets.

The U.S. nonpension postretirement benefit plan assets of \$3 million were invested primarily in cash equivalents, categorized as Level 1 in the fair value hierarchy. The non-U.S. nonpension postretirement benefit plan assets of \$65 million, primarily in

Brazil, and, to a lesser extent, in Mexico and South Africa, were invested primarily in government and related fixed-income securities and corporate bonds, categorized as Level 2 in the fair value hierarchy.