INTERNATIONAL BUSINESS MACHINES CORP
Form 4
November 17, 2015

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Rosamilia Thomas W

(Last) (First) (Middle)

IBM CORPORATION, 294 ROUTE 100

(Street)

SOMERS, NY 10589

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
INTERNATIONAL BUSINESS MACHINES CORP [IBM]

3. Date of Earliest Transaction (Month/Day/Year)
11/16/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/16/2015		S(1)		38	D	$ 132.42	22,542.729	D	
Common Stock	11/16/2015		S(1)		1,123	D	$ 132.44	21,419.729	D	
Common Stock	11/16/2015		S(1)		1,400	D	$ 132.45	20,019.729	D	
Common Stock	11/16/2015		S(1)		600	D	$ 132.46	19,419.729	D	
Common Stock	11/16/2015		S(1)		2,805	D	$ 132.47	16,614.729	D	

Common Stock	11/16/2015		S (1)		510	D	$ 132.48	16,104.729	D
Common Stock	11/16/2015		S (1)		5,700	D	$ 132.49	10,404.729	D
Common Stock	11/16/2015		S (1)		1,293	D	$ 132.5	9,111.729	D
Common Stock	11/16/2015		S (1)		630	D	$ 132.51	8,481.729	D
Common Stock	11/16/2015		S (1)		120	D	$ 132.52	8,361.729	D
Common Stock	11/16/2015		S (1)		100	D	$ 132.54	8,261.729	D
Common Stock	11/16/2015		S (1)		681	D	$ 132.56	7,580.729	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. I De Sec (In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stock Unit	$ 0 (2)	11/16/2015		I (1)(3)		14,962		(4)	(4)	Common Stock	14,962	$

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Rosamilia Thomas W IBM CORPORATION			Senior Vice President	

294 ROUTE 100
SOMERS, NY 10589

Signatures

M.Clemens on behalf of T. W. Rosamilia	11/17/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The transactions reported above consist of a disposition of 15,000 shares of Common Stock and an intra-plan transfer under the IBM Excess 401(k) Plus Plan of 14,962 phantom stock units into the IBM Stock Fund.

(2) Phantom stock units convert to the cash value of the company's common stock on a one-for-one basis.

(3) Intra-plan transfer under the IBM Excess 401(k) Plus Plan.

(4) Distribution of phantom stock units under the IBM Excess 401(k) Plus Plan is deferred until separation from the company. The reporting person may transfer these phantom stock units into an alternative investment account under such plan.

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Direct/Indirect Consumer

At March 31, 2019, 56 percent of the direct/indirect portfolio was included in *Consumer Banking* (consumer auto and specialty lending – automotive, recreational vehicle, marine, aircraft and consumer personal loans) and 44 percent was included in *GWIM* (principally securities-based lending loans).

Outstandings in the direct/indirect portfolio decreased $1.6 billion during the three months ended March 31, 2019 to $89.5 billion primarily due to declines in securities-based lending driven by repayments and lower draws. Net charge-offs decreased $5 million to $54 million during the three months ended March 31, 2019 compared to the same period in 2018.

Table 25 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 25 **Direct/Indirect State Concentrations**

(Dollars in millions)	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs Three Months Ended March 31	
	March 31 2019	December 31 2018	**March 31 2019**	December 31 2018	**2019**	2018
California	**$ 11,578**	$ 11,734	**$ 3**	$ 4	**$ 7**	$ 6
Florida	**10,019**	10,240	**4**	4	**8**	10
Texas	**9,668**	9,876	**5**	6	**10**	9
New York	**6,127**	6,296	**1**	2	**3**	3
New Jersey	**3,269**	3,308	**1**	1	**1**	1
Other	**48,887**	49,712	**17**	21	**25**	30
Total direct/indirect loan portfolio	**$ 89,548**	$ 91,166	**$ 31**	$ 38	**$ 54**	$ 59

Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity

Table 26 presents nonperforming consumer loans, leases and foreclosed properties activity for the three months ended March 31, 2019 and 2018. During the three months ended March 31, 2019, nonperforming consumer loans decreased $264 million to $3.6 billion primarily driven by loan sales of $164 million.

At March 31, 2019, $992 million, or 28 percent, of nonperforming loans were 180 days or more past due and had been written down to their estimated property value less costs to sell. In addition, at March 31, 2019, $1.8 billion, or 51 percent, of nonperforming consumer loans were modified and are now current after successful trial periods, or are current loans classified as nonperforming loans in accordance with applicable policies.

Foreclosed properties decreased $8 million during the three months ended March 31, 2019 to $236 million as liquidations

outpaced additions. Certain delinquent government-guaranteed loans (principally FHA-insured loans) are excluded from our nonperforming loans and foreclosed properties activity as we expect we will be reimbursed once the property is conveyed to the guarantor for principal and, up to certain limits, costs incurred during the foreclosure process and interest accrued during the holding period.

We classify junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing. At March 31, 2019 and December 31, 2018, $197 million and $221 million of such junior-lien home equity loans were included in nonperforming loans and leases.

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. Nonperforming TDRs are included in Table 26.

Table 26 **Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity**

(Dollars in millions)	Three Months Ended March 31	
	2019	2018
	$ 3,842	$ 5,166

Nonperforming loans and leases, January 1				
Additions	**391**		812	
Reductions:				
Paydowns and payoffs	**(188**	**)**	(245	)
Sales	**(164**	**)**	(269	)
Returns to performing status [1]	**(249**	**)**	(364	)
Charge-offs	**(28**	**)**	(147	)
Transfers to foreclosed properties	**(26**	**)**	(45	)
Transfers to loans held-for-sale	**—**		(2	)
Total net reductions to nonperforming loans and leases	**(264**	**)**	(260	)
Total nonperforming loans and leases, March 31	**3,578**		4,906	
Foreclosed properties, March 31 [2]	**236**		264	
Nonperforming consumer loans, leases and foreclosed properties, March 31	**$ 3,814**		$ 5,170	
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases [3]	**0.81**	**%**	1.10	%
Nonperforming consumer loans, leases and foreclosed properties as a percentage of outstanding consumer loans, leases and foreclosed properties [3]	**0.86**		1.16	

(1) Consumer loans may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

(2) Foreclosed property balances do not include properties insured by certain government-guaranteed loans, principally FHA-insured, of $400 million and $680 million at March 31, 2019 and 2018.

(3) Outstanding consumer loans and leases exclude loans accounted for under the fair value option.

Table 27 presents TDRs for the consumer real estate portfolio. Performing TDR balances are excluded from nonperforming loans and leases in Table 26.

Table 27 Consumer Real Estate Troubled Debt Restructurings

	March 31, 2019			December 31, 2018		
(Dollars in millions)	**Nonperforming**	**Performing**	**Total**	Nonperforming	Performing	Total
Residential mortgage (1, 2)	**$ 1,149**	**$ 4,623**	**$ 5,772**	$ 1,209	$ 4,988	$ 6,197
Home equity (3)	**1,050**	**1,236**	**2,286**	1,107	1,252	2,359
Total consumer real estate troubled debt restructurings	**$ 2,199**	**$ 5,859**	**$ 8,058**	$ 2,316	$ 6,240	$ 8,556

(1) At March 31, 2019 and December 31, 2018, residential mortgage TDRs deemed collateral dependent totaled $1.5 billion and $1.6 billion, and included $942 million and $960 million of loans classified as nonperforming and $567 million and $605 million of loans classified as performing.

(2) Residential mortgage performing TDRs included $2.5 billion and $2.8 billion of loans that were fully-insured at March 31, 2019 and December 31, 2018.

(3) At March 31, 2019 and December 31, 2018, home equity TDRs deemed collateral dependent totaled $1.2 billion and $1.3 billion, and included $934 million and $961 million of loans classified as nonperforming and $313 million and $322 million of loans classified as performing.

In addition to modifying consumer real estate loans, we work with customers who are experiencing financial difficulty by modifying credit card and other consumer loans. Credit card and other consumer loan modifications generally involve a reduction in the customer’s interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs (the renegotiated TDR portfolio). Modifications of credit card and other consumer loans are made through renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded in large part from Table 26 as substantially all of the loans remain on accrual status until either charged off or paid in full. At March 31, 2019 and December 31, 2018, our renegotiated TDR portfolio was $600 million and $566 million, of which $510 million and $481 million were current or less than 30 days past due under the modified terms. The increase in the renegotiated TDR portfolio was primarily driven by new renegotiated enrollments outpacing runoff of existing portfolios.

Commercial Portfolio Credit Risk Management

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure continue to be aligned with our risk appetite. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our non-U.S. portfolio, we evaluate exposures by region and by country. Tables 32, 35 and 38 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the

commercial credit portfolio. For more information on our industry concentrations, see Commercial Portfolio Credit Risk Management – Industry Concentrations on page 32 and Table 35.

For more information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation’s 2018 Annual Report on Form 10-K.

Commercial Credit Portfolio

During the three months ended March 31, 2019, credit quality among large corporate and middle-market borrowers in our commercial and industrial portfolio remained strong. Credit quality of commercial real estate borrowers in most sectors remained stable with conservative LTV ratios. However, some of the commercial real estate markets experienced slowing tenant demand and decelerating rental income.

Total commercial utilized credit exposure decreased $3.1 billion during the three months ended March 31, 2019 to $617.9 billion primarily driven by lower held-for-sale loan exposure. The utilization rate for loans and leases, standby letters of credit (SBLCs) and financial guarantees, and commercial letters of credit, in the aggregate, was 59 percent at both March 31, 2019 and December 31, 2018.

Table 28 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes SBLCs and financial guarantees and commercial letters of credit that have been issued and for which we are legally bound to advance funds under prescribed conditions during a specified time period, and excludes exposure related to trading account assets. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes.

Table 28 Commercial Credit Exposure by Type

	Commercial Utilized (1)		Commercial Unfunded (2, 3, 4)		Total Commercial Committed	
(Dollars in millions)	**March 31 2019**	December 31 2018	**March 31 2019**	December 31 2018	**March 31 2019**	December 31 2018
Loans and leases	**$ 503,974**	$ 499,664	**$ 365,954**	$ 369,282	**$ 869,928**	$ 868,946
Derivative assets (5)	**42,391**	43,725	**—**	—	**42,391**	43,725
Standby letters of credit and financial guarantees	**33,604**	34,941	**430**	491	**34,034**	35,432
Debt securities and other investments	**24,443**	25,425	**5,001**	4,250	**29,444**	29,675
Loans held-for-sale	**5,307**	9,090	**14,871**	14,812	**20,178**	23,902
Operating leases	**6,204**	6,060	**—**	—	**6,204**	6,060
Commercial letters of credit	**1,040**	1,210	**323**	168	**1,363**	1,378
Other	**967**	898	**—**	—	**967**	898
Total	**$ 617,930**	$ 621,013	**$ 386,579**	$ 389,003	**$ 1,004,509**	$ 1,010,016

(1) Commercial utilized exposure includes loans of $5.5 billion and $3.7 billion and issued letters of credit with a notional amount of $61 million and $100 million accounted for under the fair value option at March 31, 2019 and December 31, 2018.

(2) Commercial unfunded exposure includes commitments accounted for under the fair value option with a notional amount of $3.0 billion at both March 31, 2019 and December 31, 2018.

(3) Excludes unused business card lines, which are not legally binding.

(4) Includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (i.e., syndicated or participated) to other financial institutions. The distributed amounts were $10.4 billion and $10.7 billion at March 31, 2019 and December 31, 2018.

(5) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $32.5 billion and $32.4 billion at March 31, 2019 and December 31, 2018. Not reflected in utilized and committed exposure is additional non-cash derivative collateral held of $32.6 billion and $33.0 billion at March 31, 2019 and December 31, 2018, which consists primarily of other marketable securities.

Outstanding commercial loans and leases increased $4.3 billion during the three months ended March 31, 2019 primarily in the non-U.S. commercial portfolio. The allowance for loan and lease losses for the commercial portfolio increased $22 million to $4.8 billion at March 31, 2019. For additional information, see Allowance for Credit Losses on page 35. Table 29 presents our commercial loans and leases portfolio and related credit quality information at March 31, 2019 and December 31, 2018.

Table 29 Commercial Credit Quality

	Outstandings		**Nonperforming**		**Accruing Past Due 90 Days or More**	
(Dollars in millions)	**March 31 2019**	December 31 2018	**March 31 2019**	December 31 2018	**March 31 2019**	December 31 2018
Commercial and industrial:						
U.S. commercial	**$ 300,399**	$ 299,277	**$ 870**	$ 794	**$ 46**	$ 197
Non-U.S. commercial	**101,029**	98,776	**80**	80	**—**	—
Total commercial and industrial	**401,428**	398,053	**950**	874	**46**	197
Commercial real estate [1]	**61,215**	60,845	**213**	156	**—**	4
Commercial lease financing	**21,196**	22,534	**52**	18	**13**	29
	483,839	481,432	**1,215**	1,048	**59**	230
U.S. small business commercial [2]	**14,616**	14,565	**57**	54	**91**	84
Commercial loans excluding loans accounted for under the fair value option	**498,455**	495,997	**1,272**	1,102	**150**	314
Loans accounted for under the fair value option [3]	**5,519**	3,667	**56**	—	**—**	—
Total commercial loans and leases	**$ 503,974**	$ 499,664	**$ 1,328**	$ 1,102	**$ 150**	$ 314

(1) Includes U.S. commercial real estate of $56.8 billion and $56.6 billion and non-U.S. commercial real estate of $4.4 billion and $4.2 billion at March 31, 2019 and December 31, 2018.
(2) Includes card-related products.
(3) Commercial loans accounted for under the fair value option include U.S. commercial of $2.8 billion and $2.5 billion and non-U.S. commercial of $2.7 billion and $1.1 billion at March 31, 2019 and December 31, 2018. For more information on the fair value option, see *Note 16 – Fair Value Option* to the Consolidated Financial Statements.

Table 30 presents net charge-offs and related ratios for our commercial loans and leases for the three months ended March 31, 2019 and 2018.

Table 30 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs	**Net Charge-off Ratios [1]**
	Three Months Ended March 31	

(Dollars in millions)	2019	2018	2019	2018
Commercial and industrial:				
U.S. commercial	**$83**	$24	**0.11%**	0.03 %
Non-U.S. commercial	**—**	4	**—**	0.02
Total commercial and industrial	**83**	28	**0.08**	0.03
Commercial real estate	**5**	(3)	**0.03**	(0.02)
Commercial lease financing	**—**	(1)	**—**	(0.01)
	88	24	**0.07**	0.02
U.S. small business commercial	**68**	57	**1.90**	1.67
Total commercial	**$156**	$81	**0.13**	0.07

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.

Table 31 presents commercial reservable criticized utilized exposure by loan type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial reservable criticized utilized exposure increased $760 million, or seven percent, during the three months ended March 31, 2019 driven by a few single-name downgrades and was not indicative of broader issues in the portfolio. At March 31, 2019 and December 31, 2018, 90 percent and 91 percent of commercial reservable criticized utilized exposure was secured.

Table 31 Commercial Reservable Criticized Utilized Exposure (1, 2)

(Dollars in millions)	March 31, 2019		December 31, 2018	
Commercial and industrial:				
U.S. commercial	**$8,594**	**2.62%**	$7,986	2.43%
Non-U.S. commercial	**1,117**	**1.05**	1,013	0.97
Total commercial and industrial	**9,711**	**2.23**	8,999	2.08
Commercial real estate	**958**	**1.53**	936	1.50
Commercial lease financing	**399**	**1.88**	366	1.62
	11,068	**2.13**	10,301	1.99
U.S. small business commercial	**753**	**5.15**	760	5.22
Total commercial reservable criticized utilized exposure (1)	**$11,821**	**2.22**	$11,061	2.08

(1) Total commercial reservable criticized utilized exposure includes loans and leases of $11.1 billion and $10.3 billion and commercial letters of credit of $699 million and $781 million at March 31, 2019 and December 31, 2018.

(2) Percentages are calculated as commercial reservable criticized utilized exposure divided by total commercial reservable utilized exposure for each exposure category.

Commercial and Industrial

Commercial and industrial loans include U.S. commercial and non-U.S. commercial portfolios.

U.S. Commercial

At March 31, 2019, 71 percent of the U.S. commercial loan portfolio, excluding small business, was managed in *Global Banking,* 14 percent in *Global Markets*, 12 percent in *GWIM* (generally business-purpose loans for high net worth clients) and the remainder primarily in *Consumer Banking*. U.S. commercial loans increased $1.1 billion during the three months ended March 31, 2019, primarily in *Global Banking*. Net charge-offs increased $59 million for the three months ended March 31, 2019 compared to the same period in 2018 due to a single-name utility client. Reservable criticized utilized exposure increased $608 million, or eight percent, driven by a few single-name downgrades.

Non-U.S. Commercial

At March 31, 2019, 81 percent of the non-U.S. commercial loan portfolio was managed in *Global Banking* and 19 percent in *Global Markets*. Non-U.S. commercial loans increased $2.3 billion during the three months ended March 31, 2019, primarily in *Global Banking*. Reservable criticized utilized exposure increased $104 million, or 10 percent, driven by a single-name downgrade. For more information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 34.

Commercial Real Estate

Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate and is dependent on the sale or lease of the real estate as the primary source of repayment. Outstanding loans increased $370 million, or one percent, during the three months ended March 31, 2019 to $61.2 billion due to new originations slightly outpacing paydowns. The portfolio remains diversified across property types and geographic regions. California represented the largest state concentration at 23 percent of the commercial real estate portfolio at both March 31, 2019 and December 31, 2018. The commercial real estate portfolio is predominantly managed in *Global Banking* and consists of loans made primarily to public and private developers, and commercial real estate firms.

For the three months ended March 31, 2019, we continued to see low default rates and solid credit quality in both the residential and non-residential portfolios. We use a number of proactive risk mitigation initiatives to reduce adversely rated exposure in the commercial real estate portfolio, including transfers of deteriorating exposures to management by independent special asset officers and the pursuit of loan restructurings or asset sales to achieve the best results for our customers and the Corporation.

Nonperforming commercial real estate loans and foreclosed properties increased $60 million, or 28 percent, during the three months ended March 31, 2019