Strategic Imperatives–Engagement

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These forces are driving the need for people-centric engagement…

changing how people are understood and engaged…

and demanding privacy, security, and trust.

<table>
<thead>
<tr>
<th>Leading Technologies</th>
<th>User Behavior</th>
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<tbody>
<tr>
<td>Social</td>
<td>84% of smartphone users check an app as soon as they wake up</td>
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<td>Mobile</td>
<td>80% of individuals are willing to trade their information for a personalized offering</td>
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<tr>
<td>Security</td>
<td>2/3 of US adults say they would not return to a business that lost their personal, confidential information</td>
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</table>
IBM is well positioned to capture large mobile opportunity

...73% of strategy leaders have realized ROI on their mobile investments, yet fewer than half have a mobile strategy.

Source: The upwardly mobile enterprise – setting the strategic agenda. IBM IBV, 2013

Market Opportunity*

$103B 18% 2017 CAGR

* Source: IBM Market Insights 1H2014
An integrated mobile portfolio is building momentum

- **Feb 2012**: Cross IBM mobile initiative launched
- **June**: IBM MobileFirst
- **Feb 2013**: Cross platform mobile app development without lock-in
- **June**: Mobile user experience instrumentation and analytics
- **Feb 2013**: Cross IBM mobile initiative launched
- **Nov**: Integrated approach to mobile, app and document management
- **Feb 2014**: BlueMix Mobile Cloud Services launched

- **2K+** client implementations
- **10** Industry-specific Ready Apps that can save clients up to **60%** on time and resources
- **18** IBM MobileFirst Studios
- IBM Interactive Experience named **Largest Global Digital Agency**
- Leadership position in **8** analyst reports including Gartner, Forrester and IDC

*Source: Agency Report 2014, Ad Age*
Social business enables “people-centric engagement” for enterprises

By 2017, 57% of CEOs plan to engage clients through social media, compared to 16% in 2012.

Source: 2012 IBM CEO Study “Leading Through Connections”

Market Opportunity*

$89B  9%
2017  CAGR

* Source: IBM Market Insights 1H2014
IBM leadership in social business

Recognition
- **17** leadership rankings in analyst reports, 2013
- **2.8K** experts and **400+** new IBM social business and collaboration partners
- **75%** of Fortune 100 companies license IBM social software

IBM Leading by Example
- **200K** Social communities
- **300K** IBM Connections users
- **30K** on Client Collaboration Hubs
- **85%** of sellers using Sales Connect
<table>
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<tr>
<th>IBM Investor Briefing</th>
<th>Helping clients transform with mobile and social business</th>
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<th><strong>Solution Components</strong></th>
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<td><strong>PEPSICO</strong> Created PEPnet to support <strong>100K users and growing.</strong> By connecting associates to knowledge they <strong>boosted efficiency and sourced fresh ideas</strong> from R&amp;D.</td>
<td><strong>DAIMLER</strong> Expanded ‘car2go’ car sharing App to seven countries, 23 cities, <strong>450,000 registered users</strong> worldwide; <strong>13 million vehicles rented</strong> and increasing.</td>
<td><strong>U.S. Tennis Association</strong> Generated <strong>136 million page views</strong> over mobile phones and tablets, <strong>a 47 percent increase YtY</strong>. USOpen.org had more than 10 million visitors worldwide.</td>
</tr>
<tr>
<td>IBM Connections, IBM Kenexa, IBM WebSphere Portal, IBM Content Analytics</td>
<td>IBM Worklight on IBM WebSphere Application Server, IBM DB2</td>
<td>IBM Connections, IBM WebSphere, IBM SmartCloud, IBM Business Analytics, IBM Information Management</td>
</tr>
</tbody>
</table>

*Estimated Results. Results will vary depending on customer environment.*
Security is paramount: We are in an era of continuous breaches

Attackers are relentless, victims are targeted, and the damage toll is rising

Operational Sophistication
IBM X-Force® declared Year of the Security Breach

Near Daily Leaks of Sensitive Data
40% increase in reported data breaches and incidents

Relentless Use of Multiple Methods
500,000,000+ records were leaked, while the future shows no sign of change

2011 Attack types
- SQL injection
- Spear phishing
- DDoS
- Third-party software
- Physical access
- Malware
- XSS
- Watering hole
- Undisclosed

2012

2013

Source: IBM X-Force Threat Intelligence Quarterly – 1Q 2014

Note: Size of circle estimates relative impact of incident in terms of cost to business.
IBM serves the broad and growing demand for security

Advanced Threat
prevent breaches spanning from endpoint to network to cloud

Data
discover and harden the "crown jewel" assets of an enterprise

Analytics
find, deter and respond to incident & ensure compliance

Identity
Enforce identity as the new perimeter while traditional perimeters erode

Fraud
protect transactions from device to enterprise

Mobile
embed security in mobile devices and applications

Cloud
shift to cloud by providing security in and from the cloud

Market Opportunity*

$74B 7% 2017 CAGR

70% of security executives are concerned about cloud and mobile security
2013 IBM CISO Survey

* Source: IBM Market Insights 1H2014
IBM Point of View: Intelligence, Innovation, Integration

**INTELLIGENCE**

Use insights and analytics to identify outliers

**INNOVATION**

Use cloud and mobile for better security

**INTEGRATION**

Develop an integrated approach to stay ahead of the threat

Business’ reputations are a keystroke away from making headlines

New technologies create opportunities to transform IT security

Security leaders are more accountable than ever before
IBM Security has grown **double digits for six consecutive quarters**. Our results are being driven, in part by incremental requirements for security as clients expand into cloud and mobile computing.

**IBM Security Framework**

**Driving Factors**

A single breach of sensitive personal information cost $3.5 million, an increase of 15%.

Mobile malware grew 614% in one year from March 2012 to March 2013.


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Continued innovation in the IBM Security portfolio

IBM Threat Protection System
A dynamic, integrated system to disrupt the lifecycle of advanced attacks and help prevent loss

- Smarter Prevention
- Security Intelligence
- Continuous Response
- Global Threat Intelligence
- Open Integration
IBM Critical Data Protection Program

An iterative multi-phase approach to protect profitability, competitive position and reputation

Five key practices to protect critical data

1. Define – your critical data assets
2. Discover – critical data security environment
3. Baseline – critical data security processes and controls
4. Secure – critical data
5. Monitor – with proper governance and metrics

Supported by:
- Robust consulting method
- Industry-specific data models
- Global consulting expertise
- IBM data security research
- IBM Guardium, StoredIQ, DLP and other leading data protection technologies
IBM Engagement: Social, Mobile, Security Leadership

- **6,000** security experts, 3,000 mobile experts, 2,800 social business experts
- **7 of 10** top banks in the US, 9 of the top 10 in the UK and 2 of the top 4 in Australia use IBM Security Solutions
- **4,300** patents in mobile, social and security technologies
- **8** companies acquired for mobile capabilities like mobile messaging for marketers and secure mobile app delivery
- **25** security labs globally, 10 security operations centers globally
- **15 billion** security events monitored daily in 130 countries
- **#1 and #1** market leader for enterprise social software; market leader in security and vulnerability management
- **12** companies acquired for security technologies like web fraud detection, sophisticated malware and device management

Engagement Summary

IBM MobileFirst helps organizations capture new markets and reach more people by extending Big Data and analytics, cloud and social technologies to mobile.

IBM's Social Business portfolio, named market leader for 5 consecutive years, enables organizations to unlock the collective knowledge of organizations, increase workforce productivity and deliver exceptional customer service.

IBM security has achieved six straight quarters of double-digit growth through an integrated software and services portfolio that applies security intelligence to prevent, detect, and respond to enterprise threats.
IBM Investor Briefing
These charts and the associated remarks and comments are integrally related, and they are intended to be presented and understood together.

In an effort to provide additional and useful information regarding the company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), certain materials presented during this event include non-GAAP information. The rationale for management's use of this non-GAAP information, the reconciliation of that information to GAAP, and other related information is included in supplemental materials entitled “Non-GAAP Supplemental Materials” that are linked to the company's investor relations web site at http://www.ibm.com/investor/events/investor0514.phtml. The Non-GAAP Supplemental Materials are also included as Attachment II to the company's Forms 8-K dated January 21, 2014 and May 14, 2014.