
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

001-40853

(Commission file number)

Kyndryl Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

86-1185492

(IRS employer identification number)

One Vanderbilt Avenue, 15th Floor

New York, New York

(Address of principal executive offices)

10017

(Zip Code)

212-896-2098

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	KD	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding as of November 1, 2023 was 229,463,899.

Index

	<u>Page</u>
<u>Part I - Financial Information:</u>	
<u>Item 1. Consolidated Financial Statements (Unaudited):</u>	3
<u>Consolidated Income Statement for the three and six months ended September 30, 2023 and 2022</u>	3
<u>Consolidated Statement of Comprehensive Income (Loss) for the three and six months ended September 30, 2023 and 2022</u>	4
<u>Consolidated Balance Sheet at September 30, 2023 and March 31, 2023</u>	5
<u>Consolidated Statement of Cash Flows for the six months ended September 30, 2023 and 2022</u>	6
<u>Consolidated Statement of Equity for the three and six months ended September 30, 2023 and 2022</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	38
<u>Item 4. Controls and Procedures</u>	38
<u>Part II - Other Information:</u>	
<u>Item 1. Legal Proceedings</u>	39
<u>Item 1A. Risk Factors</u>	39
<u>Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities</u>	39
<u>Item 3. Defaults Upon Senior Securities</u>	39
<u>Item 4. Mine Safety Disclosures</u>	39
<u>Item 5. Other Information</u>	39
<u>Item 6. Exhibits</u>	40

Part I - Financial Information

Item 1. Consolidated Financial Statements (Unaudited):

KYNDRYL HOLDINGS, INC.
CONSOLIDATED INCOME STATEMENT
(In millions, except per share amounts)
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Six Months Ended September 30,</u>	
	2023	2022	2023	2022
Revenues *	\$ 4,073	\$ 4,179	\$ 8,266	\$ 8,467
Cost of services **	\$ 3,422	\$ 3,613	\$ 6,871	\$ 7,290
Selling, general and administrative expenses	634	706	1,353	1,400
Workforce rebalancing charges	39	3	97	6
Transaction-related costs	48	68	89	171
Interest expense	31	19	61	38
Other expense (income)	8	(10)	13	(13)
Total costs and expenses	<u>\$ 4,182</u>	<u>\$ 4,399</u>	<u>\$ 8,484</u>	<u>\$ 8,892</u>
Income (loss) before income taxes	\$ (109)	\$ (219)	\$ (218)	\$ (425)
Provision for income taxes	\$ 33	\$ 61	\$ 65	\$ 107
Net income (loss)	<u>\$ (142)</u>	<u>\$ (281)</u>	<u>\$ (283)</u>	<u>\$ (531)</u>
Basic earnings (loss) per share	\$ (0.62)	\$ (1.24)	\$ (1.24)	\$ (2.35)
Diluted earnings (loss) per share	\$ (0.62)	\$ (1.24)	\$ (1.24)	\$ (2.35)
Weighted-average basic shares outstanding	229.1	226.8	228.5	226.0
Weighted-average diluted shares outstanding	229.1	226.8	228.5	226.0

* Including related-party revenue of \$82 for the three months ended September 30, 2022 and \$287 for the six months ended September 30, 2022.

** Including related-party cost of services of \$421 for the three months ended September 30, 2022 and \$1,382 for the six months ended September 30, 2022.

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (142)	\$ (281)	\$ (283)	\$ (531)
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(109)	(221)	(125)	(488)
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) arising during the period	11	—	26	(5)
Reclassification of (gains) losses to net income	(4)	—	(5)	(1)
Total unrealized gains (losses) on cash flow hedges	7	—	21	(6)
Retirement-related benefit plans:				
Amortization of prior service (credits) costs	—	—	1	—
Amortization of net (gains) losses	1	10	3	20
Total retirement-related benefit plans	1	10	4	20
Other comprehensive income (loss), before tax	(101)	(211)	(100)	(474)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(3)	(3)	(5)	(4)
Other comprehensive income (loss), net of tax	(105)	(214)	(104)	(478)
Total comprehensive income (loss)	<u>\$ (247)</u>	<u>\$ (495)</u>	<u>\$ (388)</u>	<u>\$ (1,009)</u>

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
(In millions, except per share amount)
(Unaudited)

	September 30, 2023	March 31, 2023
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,408	\$ 1,847
Restricted cash	3	12
Accounts receivable (net of allowances for credit losses of \$28 at September 30, 2023 and \$32 at March 31, 2023)	1,663	1,523
Deferred costs (current portion)	952	1,070
Prepaid expenses and other current assets	566	510
Total current assets	\$ 4,593	\$ 4,963
Property and equipment, net		
Property and equipment, net	\$ 2,646	\$ 2,779
Operating right-of-use assets, net	898	964
Deferred costs (noncurrent portion)	1,031	1,166
Deferred taxes	186	248
Goodwill	806	812
Intangible assets, net	188	171
Pension assets	97	94
Other noncurrent assets	158	267
Total assets	\$ 10,602	\$ 11,464
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,246	\$ 1,774
Value-added tax and income tax liabilities	308	347
Current portion of long-term debt	121	110
Accrued compensation and benefits	609	533
Deferred income (current portion)	790	820
Operating lease liabilities (current portion)	274	316
Accrued contract costs	509	346
Other accrued expenses and liabilities	628	624
Total current liabilities	\$ 4,485	\$ 4,868
Long-term debt		
Long-term debt	\$ 3,123	\$ 3,111
Retirement and nonpension postretirement benefit obligations	481	504
Deferred income (noncurrent portion)	316	362
Operating lease liabilities (noncurrent portion)	660	707
Other noncurrent liabilities	423	450
Total liabilities	\$ 9,489	\$ 10,002
Commitments and contingencies		
Equity:		
Stockholders' equity		
Common stock, par value \$0.01 per share, and additional paid-in capital (shares authorized: 1,000.0; shares issued: September 30, 2023 – 232.2, March 31, 2023 – 229.6)	\$ 4,476	\$ 4,428
Accumulated deficit	(2,262)	(1,978)
Treasury stock, at cost (shares: September 30, 2023 – 2.8, March 31, 2023 – 1.9)	(35)	(23)
Accumulated other comprehensive income (loss)	(1,167)	(1,062)
Total stockholders' equity before non-controlling interests	\$ 1,013	\$ 1,365
Non-controlling interests	100	97
Total equity	\$ 1,113	\$ 1,462
Total liabilities and equity	\$ 10,602	\$ 11,464

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(Unaudited)

	Six Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ (283)	\$ (531)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization		
Depreciation of property, equipment and capitalized software	431	449
Depreciation of right-of-use assets	173	191
Amortization of transition costs and prepaid software	631	584
Amortization of capitalized contract costs	281	222
Amortization of acquisition-related intangible assets	15	25
Stock-based compensation	48	54
Deferred taxes	51	41
Net (gain) loss on asset sales and other	22	21
Change in operating assets and liabilities:		
Deferred costs (excluding amortization)	(699)	(738)
Right-of-use assets and liabilities (excluding depreciation)	(195)	(193)
Workforce rebalancing liabilities	(18)	(1)
Receivables	(110)	471
Accounts payable	(494)	181
Taxes	(55)	33
Other assets and other liabilities	75	(316)
Net cash provided by (used in) operating activities	\$ (127)	\$ 491
Cash flows from investing activities:		
Capital expenditures	\$ (275)	\$ (466)
Proceeds from disposition of property and equipment	119	10
Other investing activities, net	(53)	(60)
Net cash used in investing activities	\$ (208)	\$ (516)
Cash flows from financing activities:		
Debt repayments	\$ (67)	\$ (56)
Common stock repurchases for tax withholdings	(12)	(13)
Other financing activities, net	(1)	—
Net cash provided by (used in) financing activities	\$ (80)	\$ (69)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	\$ (33)	\$ (160)
Net change in cash, cash equivalents and restricted cash	\$ (448)	\$ (253)
Cash, cash equivalents and restricted cash at beginning of period	\$ 1,860	\$ 2,154
Cash, cash equivalents and restricted cash at end of period	\$ 1,412	\$ 1,901
Supplemental data		
Income taxes paid, net of refunds received	\$ 88	\$ 37
Interest paid on debt	\$ 59	\$ 34

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF EQUITY
(In millions)
(Unaudited)

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non- Controlling Interests	Total Equity
	Shares	Amount					
Equity – July 1, 2023	228.6	\$ 4,451	\$ (1,062)	\$ (30)	\$ (2,119)	\$ 99	\$ 1,338
Net income (loss)					(142)		(142)
Other comprehensive income (loss), net of tax			(105)				(105)
Common stock issued under employee plans	1.2	25					25
Purchases of treasury stock	(0.4)			(5)			(5)
Changes in non-controlling interests						1	1
Equity – September 30, 2023	<u>229.5</u>	<u>\$ 4,476</u>	<u>\$ (1,167)</u>	<u>\$ (35)</u>	<u>\$ (2,262)</u>	<u>\$ 100</u>	<u>\$ 1,113</u>

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non- Controlling Interests	Total Equity
	Shares	Amount					
Equity – July 1, 2022	226.7	\$ 4,341	\$ (1,353)	\$ (17)	\$ (855)	\$ 95	\$ 2,211
Net income (loss)					(281)		(281)
Other comprehensive income (loss), net of tax			(214)				(214)
Common stock issued under employee plans	0.1	28					28
Changes in non-controlling interests						2	2
Equity – September 30, 2022	<u>226.8</u>	<u>\$ 4,370</u>	<u>\$ (1,567)</u>	<u>\$ (17)</u>	<u>\$ (1,136)</u>	<u>\$ 96</u>	<u>\$ 1,746</u>

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non- Controlling Interests	Total Equity
	Shares	Amount					
Equity – April 1, 2023	227.7	\$ 4,428	\$ (1,062)	\$ (23)	\$ (1,978)	\$ 97	\$ 1,462
Net income (loss)					(283)		(283)
Other comprehensive income (loss), net of tax			(104)				(104)
Common stock issued under employee plans	2.6	48					48
Purchases of treasury stock	(0.9)			(12)			(12)
Changes in non-controlling interests						3	3
Equity – September 30, 2023	<u>229.5</u>	<u>\$ 4,476</u>	<u>\$ (1,167)</u>	<u>\$ (35)</u>	<u>\$ (2,262)</u>	<u>\$ 100</u>	<u>\$ 1,113</u>

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non- Controlling Interests	Total Equity
	Shares	Amount					
Equity - April 1, 2022	224.5	\$ 4,315	\$ (1,089)	\$ (4)	\$ (605)	\$ 94	\$ 2,711
Net income (loss)					(531)		(531)
Other comprehensive income (loss), net of tax			(478)				(478)
Common stock issued under employee plans	3.3	54					54
Purchases of treasury stock	(1.1)			(13)			(13)
Changes in non-controlling interests						3	3
Equity - September 30, 2022	<u>226.8</u>	<u>\$ 4,370</u>	<u>\$ (1,567)</u>	<u>\$ (17)</u>	<u>\$ (1,136)</u>	<u>\$ 96</u>	<u>\$ 1,746</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Kyndryl Holdings, Inc. (“we”, “the Company” or “Kyndryl”) is a leading technology services company and the largest IT infrastructure services provider in the world, serving as a partner to thousands of enterprise customers whose operations span over 100 countries. Prior to November 3, 2021, the Company was wholly owned by International Business Machines Corporation (“IBM” or “former Parent”).

In November 2021, our former Parent effected the spin-off (the “Separation” or the “Spin-off”) of the infrastructure services unit of its Global Technology Services (“GTS”) segment through the distribution of shares of Kyndryl’s common stock to IBM stockholders. In connection with the Separation, the Company entered into several agreements with IBM that govern the relationship of the parties following the Separation. Kyndryl’s stock began trading as an independent company on November 4, 2021.

Basis of Presentation

The accompanying Consolidated Financial Statements and footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Management believes the accompanying financial statements include all adjustments necessary to present fairly the Company’s financial position and its results of operations for all the periods presented. The information included in this Form 10-Q should be read in conjunction with the Company’s Annual Report for the fiscal year ended March 31, 2023.

Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages presented are calculated from the underlying whole-dollar amounts.

Principles of Consolidation

The accompanying financial statements are presented on a consolidated basis. All significant transactions and intercompany accounts between Kyndryl entities were eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts that are reported in the consolidated financial statements and accompanying disclosures. Estimates are used in determining the following, among others: revenue, costs to complete service contracts, income taxes, pension assumptions, valuation of assets including goodwill and intangible assets, the depreciable and amortizable lives of long-lived assets, loss contingencies, allowance for credit losses and deferred transition costs. Actual results may differ from these estimates.

The Company uses the estimated annual effective tax rate method in computing its interim tax provision in accordance with U.S. GAAP. The estimated annual effective tax rate is applied to the year-to-date ordinary income, exclusive of discrete items, to arrive at the reported interim tax provision.

Notes to Consolidated Financial Statements (continued)

NOTE 2. ACCOUNTING PRONOUNCEMENTS

Recent Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which included a sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (“LIBOR”) would cease being published. The FASB issued temporary, optional expedients related to the accounting for contract modifications and hedging transactions as a result of markets transitioning from the use of LIBOR and other interbank offered rates to alternative reference rates. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, deferring the sunset date of Topic 848 to December 31, 2024. In June 2023, the Company modified its contracts that use LIBOR, transitioning from LIBOR to the Secured Overnight Financing Rate (“SOFR”). The use of SOFR became effective in modified contracts beginning on July 1, 2023. The change of reference rate did not result in any material impact to the Company’s consolidated financial statements.

In September 2022, the FASB amended its guidance related to supplier finance programs. The amended guidance requires additional disclosures surrounding the use of supplier finance programs to purchase goods or services, including disclosing the key terms of the programs, the amount of obligations outstanding at the end of the reporting period, and a roll-forward of those obligations. The new guidance, except the roll-forward information, is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The requirement to present roll-forward information is effective for fiscal years beginning after December 15, 2023. The Company adopted the guidance at the beginning of fiscal year 2024. The Company did not have any outstanding obligations under supplier finance programs in the periods presented.

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842) – Common-Control Arrangements*. This guidance amends the accounting for leasehold improvements in common-control arrangements by requiring a lessee in a common-control arrangement to amortize leasehold improvements that it owns over the improvements’ useful life to the common-control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. The Company has evaluated the impact of the amended guidance and concluded that the guidance does not have a material impact on the Company’s consolidated financial statements.

In August 2023, the FASB issued ASU 2023-05, *Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement* which requires a joint venture to measure all contributions received upon its formation at fair value. This guidance should be applied prospectively, effective for all newly-formed joint venture entities with a formation date on or after January 1, 2025 with early adoption permitted. The Company has evaluated the impact of the guidance and does not expect it to have a material impact on the Company’s consolidated financial statements.

NOTE 3. REVENUE RECOGNITION

Disaggregation of Revenue

The Company views its segment results to be the best view of disaggregated revenue. Refer to Note 4 – Segments.

Remaining Performance Obligations

The remaining performance obligation (“RPO”) represents the aggregate amount of contractual deliverables yet to be recognized as revenue at the end of the reporting period. It is intended to be a statement of overall work under contract that has not yet been performed and does not include contracts for which the customer is not committed. The customer is not considered committed when it is able to terminate for convenience without payment of a substantive penalty. The RPO also includes estimates of variable consideration. RPO estimates are subject to change and are affected

Notes to Consolidated Financial Statements (continued)

by several factors, including terminations, changes in the scope of contracts, periodic revaluations, adjustments for revenue that has not materialized and adjustments for currency.

At September 30, 2023, the aggregate amount of RPO related to customer contracts that are unsatisfied or partially unsatisfied was \$34.0 billion. Approximately 58 percent of the amount is expected to be recognized as revenue in the next two years, approximately 35 percent in the subsequent three years, and the balance thereafter.

During the three and six months ended September 30, 2023, revenue was increased by \$2 million and \$15 million, respectively, and during the three and six months ended September 30, 2022, revenue was increased by \$4 million and \$3 million, respectively, for performance obligations satisfied (or partially satisfied) in previous periods, mainly due to changes in estimates on contracts with cost-to-cost measures of progress.

Contract Balances

The following table provides information about accounts receivable, contract assets and deferred income balances:

(Dollars in millions)	September 30, 2023	March 31, 2023
Accounts receivable (net of allowances for credit losses of \$28 at September 30, 2023 and \$32 at March 31, 2023) *	\$ 1,663	\$ 1,523
Contract assets **	35	30
Deferred income (current)	790	820
Deferred income (noncurrent)	316	362

* Including unbilled receivable balances of \$458 million at September 30, 2023 and \$384 million at March 31, 2023.

** Contract assets represent goods or services delivered by the Company, which give the Company the right to consideration that is typically subject to milestone completion or client acceptance and are included within prepaid expenses and other current assets in the Consolidated Balance Sheet.

The amount of revenue recognized during the three and six months ended September 30, 2023 that was included within the deferred income balance at the beginning of the period was \$176 million and \$360 million, respectively. The amount of revenue recognized during the three and six months ended September 30, 2022 that was included within the deferred income balance at the beginning of the period was \$184 million and \$367 million, respectively.

The following table provides roll-forwards of the accounts receivable allowance for credit losses for the six months ended September 30, 2023 and 2022.

(Dollars in millions)	Six Months Ended September 30,	
	2023	2022
Beginning balance	\$ 32	\$ 44
Additions (releases)	—	2
Write-offs	(3)	(5)
Other *	(1)	(7)
Ending balance	\$ 28	\$ 33

* Primarily represents currency translation adjustments.

The contract assets allowance for credit losses was not material in any of the periods presented.

Notes to Consolidated Financial Statements (continued)**Major Clients**

No single client represented more than 10 percent of the Company's total revenue during the three and six months ended September 30, 2023 and 2022. Other than receivables due from our former Parent, no single client represented more than 10 percent of the Company's total accounts receivable balance as of September 30, 2023 or March 31, 2023.

Deferred Costs

Costs to acquire and fulfill customer contracts are deferred and amortized over the contract period or expected customer relationship life. The expected customer relationship period is determined based on the average customer relationship period, including expected renewals, for each offering type and ranges from three to six years. For contracts with an estimated amortization period of less than one year, we elected the practical expedient to expense incremental costs immediately.

The following table provides amounts of capitalized costs to acquire and fulfill customer contracts at September 30, 2023 and March 31, 2023:

(Dollars in millions)	September 30, 2023	March 31, 2023
Deferred transition costs	\$ 778	\$ 856
Prepaid software costs	705	782
Capitalized costs to fulfill contracts	219	285
Capitalized costs to obtain contracts	281	313
Total deferred costs *	\$ 1,983	\$ 2,236

* Of the total deferred costs, \$952 million was current and \$1,031 million was noncurrent at September 30, 2023, and \$1,070 million was current and \$1,166 million was noncurrent at March 31, 2023.

The amount of total deferred costs amortized for the three months ended September 30, 2023 was \$449 million, composed of \$88 million of amortization of deferred transition costs, \$218 million of amortization of prepaid software and \$143 million of amortization of capitalized contract costs. The amount of total deferred costs amortized for the six months ended September 30, 2023 was \$912 million, composed of \$173 million of amortization of deferred transition costs, \$459 million of amortization of prepaid software and \$281 million of amortization of capitalized contract costs.

NOTE 4. SEGMENTS

Our reportable segments correspond to how the chief operating decision maker ("CODM") reviews performance and allocates resources. Our four reportable segments consist of the following:

United States: This reportable segment is comprised of Kyndryl's operations in the United States.

Japan: This reportable segment is comprised of Kyndryl's operations in Japan.

Principal Markets: This reportable segment represents the aggregation of our operations in Australia / New Zealand, Canada, France, Germany, India, Italy, Spain / Portugal, and the United Kingdom / Ireland.

Strategic Markets: This reportable segment is comprised of our operations in all other countries in which we operate.

The measure of segment operating performance used by Kyndryl's CODM is adjusted EBITDA. Adjusted EBITDA is defined as net income (loss) excluding net interest expense, income taxes, depreciation and amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), charges related to ceasing

Notes to Consolidated Financial Statements (continued)

to use leased and owned fixed assets, charges related to lease terminations, transaction-related costs, pension expenses other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges, impairment expense, significant litigation costs, and currency impacts of highly inflationary countries. The use of revenue and adjusted EBITDA aligns with how the CODM assesses performance and allocates resources for the Company's segments.

Our geographic markets frequently work together to sell and implement certain contracts. The resulting revenues and costs from these contracts may be apportioned among the participating geographic markets. The economic environment and its effects on the industries served by our geographic markets affect revenues and operating expenses within our geographic markets to differing degrees. Currency fluctuations also tend to affect our geographic markets differently, depending on the geographic concentrations and locations of their businesses.

The following table reflects the results of the Company's segments:

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue				
United States	\$ 1,108	\$ 1,149	\$ 2,272	\$ 2,317
Japan	569	614	1,180	1,249
Principal Markets	1,465	1,472	2,949	2,988
Strategic Markets	930	944	1,865	1,914
Total revenue	<u>\$ 4,073</u>	<u>\$ 4,179</u>	<u>\$ 8,266</u>	<u>\$ 8,467</u>
Segment adjusted EBITDA				
United States	\$ 176	\$ 167	\$ 412	\$ 367
Japan	84	113	184	228
Principal Markets	185	57	352	157
Strategic Markets	150	111	283	207
Total segment adjusted EBITDA	<u>\$ 596</u>	<u>\$ 448</u>	<u>\$ 1,232</u>	<u>\$ 959</u>

The following table reconciles segment adjusted EBITDA to consolidated pretax income (loss):

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Segment adjusted EBITDA	\$ 596	\$ 448	\$ 1,232	\$ 959
Workforce rebalancing charges	(39)	(3)	(97)	(6)
Charges related to ceasing to use leased/fixed assets and lease terminations	—	—	(10)	—
Transaction-related costs	(48)	(68)	(89)	(171)
Stock-based compensation expense	(25)	(28)	(48)	(54)
Interest expense	(31)	(19)	(61)	(38)
Depreciation of property, equipment and capitalized software	(220)	(221)	(431)	(449)
Amortization expense	(313)	(301)	(646)	(609)
Corporate expense not allocated to the segments	(21)	(20)	(45)	(40)
Other adjustments*	(7)	(9)	(23)	(18)
Pretax income (loss)	<u>\$ (109)</u>	<u>\$ (219)</u>	<u>\$ (218)</u>	<u>\$ (425)</u>

* Other adjustments represent pension expenses other than pension servicing costs and multi-employer plan costs, significant litigation costs, currency impacts of highly inflationary countries, and an adjustment to reduce amortization expense for the amount already included in transaction-related costs above.

Notes to Consolidated Financial Statements (continued)

NOTE 5. TAXES

For the three months ended September 30, 2023, the Company's effective tax rate was (30.3%), compared to (27.9%) for the three months ended September 30, 2022. For the six months ended September 30, 2023, the Company's effective tax rate was (29.8%), compared to (25.1%) for the six months ended September 30, 2022. The Company's negative effective tax rates for the three and six months ended September 30, 2023 and 2022 reflect a tax expense on a pretax book loss in those periods.

The Company's effective tax rate for the three and six months ended September 30, 2023 and 2022 was lower than the Company's statutory tax rate primarily due to taxes on foreign operations and valuation allowances recorded in certain jurisdictions against deferred tax assets that are not more likely than not to be realized.

NOTE 6. NET LOSS PER SHARE

We did not declare any stock dividends in the periods presented. The following table provides the computation of basic and diluted earnings per share of common stock for the three and six months ended September 30, 2023 and 2022.

(In millions, except per share amounts)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss) on which basic and diluted earnings per share is calculated	\$ (142)	\$ (281)	\$ (283)	\$ (531)
Number of shares on which basic and diluted earnings per share is calculated	229.1	226.8	228.5	226.0
Basic earnings (loss) per share	\$ (0.62)	\$ (1.24)	\$ (1.24)	\$ (2.35)
Diluted earnings (loss) per share	(0.62)	(1.24)	(1.24)	(2.35)

For the three and six months ended September 30, 2023 and 2022, the Company's basic and diluted weighted-average shares outstanding were the same. The following securities were not included in the computation of diluted net loss per share because they would have been anti-dilutive:

(In millions)	September 30,	
	2023	2022
Nonvested restricted stock units	9.0	11.0
Nonvested performance-conditioned stock units	2.8	2.4
Nonvested market-conditioned stock units	2.7	2.4
Stock options issued and outstanding	3.6	3.7
Total	18.2	19.6

Notes to Consolidated Financial Statements (continued)

NOTE 7. FINANCIAL ASSETS AND LIABILITIES

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies certain assets and liabilities based on the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

The level of an asset or liability within the fair value hierarchy is determined based on the lowest level of any input that is significant to the fair value measurement.

In determining the fair value of certain financial instruments, the Company considers certain market valuation adjustments to the “base valuations” using the methodologies described below for several parameters that market participants would consider in determining fair value:

- Counterparty credit risk adjustments are applied to certain financial instruments, taking into account the actual credit risk of a counterparty as observed in the credit default swap market to determine the true fair value of such an instrument.
- Credit risk adjustments are applied to reflect the Company’s own credit risk when valuing certain liabilities measured at fair value. The methodology is consistent with that applied in developing counterparty credit risk adjustments, but incorporates the Company’s credit risk as observed in the credit default swap market.

Certain non-financial assets such as property, plant and equipment, operating right-of-use assets, land, goodwill and intangible assets are recorded at fair value or at cost, as appropriate, in the period they are initially recognized, and such balances may be adjusted in subsequent periods if an event occurs or circumstances change that indicate that the asset may be impaired. The impairment models used for non-financial assets depend on the type of asset. The fair value measurements, in such instances, would be classified in Level 3 of the fair value hierarchy.

We perform a qualitative assessment of asset impairments on a periodic basis and recognize an impairment if there are sufficient indicators that the fair value is less than carrying value. There were no impairments of non-financial assets recognized for the three and six months ended September 30, 2023 and 2022.

Notes to Consolidated Financial Statements (continued)

Financial Assets and Liabilities Measured at Fair Value

The following table presents the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis at September 30, 2023 and March 31, 2023:

(Dollars in millions)	Fair Value Hierarchy Level	At September 30, 2023			At March 31, 2023		
		Assets	Liabilities	Fair Value	Assets	Liabilities	Fair Value
Derivatives designated as hedging instruments:							
Foreign exchange contracts	2	\$ 18	\$ 4	\$ 14	\$ 4	\$ 3	\$ 1
Derivatives not designated as hedging instruments:							
Foreign exchange contracts	2	19	14	5	11	5	6
Total		\$ 37	\$ 18	\$ 19	\$ 15	\$ 9	\$ 6

The gross balances of derivative assets are contained within prepaid expenses and other current assets, and the gross balances of derivative liabilities are contained within other accrued expenses and liabilities in the Consolidated Balance Sheet. The Company may enter into master netting agreements with certain counterparties that allow for netting of exposures. There was no netting of derivative assets against liabilities in the Consolidated Balance Sheet at September 30, 2023 and March 31, 2023. The Company manages counterparty risk by seeking counterparties of high credit quality and by monitoring credit ratings, credit spreads and other relevant public information about its counterparties. The Company does not anticipate nonperformance by any of the counterparties.

Financial Assets and Liabilities Not Measured at Fair Value

Accounts receivable are financial assets with carrying values that approximate fair value. Accounts payable, other accrued expenses and short-term debt are financial liabilities with carrying values that approximate fair value. If measured at fair value in the consolidated financial statements, these financial assets and liabilities would be classified as Level 3 in the fair value hierarchy, except for short-term debt, which would be classified as Level 2.

The Company also has time deposits that have maturities of 90 days or less, and their carrying values approximate fair value. They are measured for impairment on a recurring basis by comparing their fair value with their amortized cost basis. There were no impairments of financial assets recognized for any of the periods presented. The balances of these time deposits with maturities of 90 days or less contained within cash and cash equivalents in the Consolidated Balance Sheet at September 30, 2023 and March 31, 2023 were \$713 million and \$814 million, respectively. If measured at fair value in the consolidated financial statements, time deposits with maturities of 90 days or less would be categorized as Level 2 in the fair value hierarchy.

The fair value of our outstanding debt (excluding finance lease obligations) is based on various methodologies, including quoted prices in active markets for identical debt instruments, which is a Level 1 measurement, and calculated fair value using an expected present value technique that uses rates currently available to the Company for debt in active markets with similar terms and remaining maturities, which is a Level 2 measurement. Our outstanding debt (excluding finance lease obligations) had a carrying value of \$3.0 billion as of September 30, 2023 and March 31, 2023, and an estimated fair value of \$2.5 billion as of September 30, 2023 and March 31, 2023.

Transfers of Financial Assets

The Company has entered into agreements with third-party financial institutions to sell certain financial assets (primarily trade receivables) without recourse. The Company has determined these are true sales. The carrying value of the financial asset sold is derecognized, and a net gain or loss on the sale is recognized at the time of the transfer.

Notes to Consolidated Financial Statements (continued)

The net proceeds from these agreements are reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. Gross proceeds from receivables sold to third parties under this program were \$913 million and \$2.1 billion for the three and six months ended September 30, 2023, respectively, and \$722 million and \$1.3 billion for the three and six months ended September 30, 2022, respectively. The fees associated with the transfers of receivables were \$12 million and \$28 million for the three and six months ended September 30, 2023, respectively, and \$12 million and \$20 million for the three and six months ended September 30, 2022, respectively.

Derivative Financial Instruments

Derivatives Designated as Hedging Instruments

The Company has foreign exchange derivative financial instruments designated as cash flow hedges to manage the volatility of cash flows that relate to operating expenses denominated in certain currencies. Changes in fair value of derivatives designated as cash flow hedges are recorded, net of applicable taxes, in other comprehensive income and subsequently reclassified into the same income statement line item as the hedged exposure when the underlying hedged item is recognized in earnings. The cash flows associated with derivatives designated as cash flow hedges are reported in cash flows from operating activities in the Consolidated Statement of Cash Flows.

At September 30, 2023 and March 31, 2023, the total gross notional amount of foreign exchange contracts designated as cash flow hedges of forecasted foreign currency cost transactions was \$644 million and \$283 million, respectively. The notional amounts of derivative instruments do not necessarily represent the amounts exchanged by the Company with third parties and are not necessarily a direct measure of the financial exposure. The maximum remaining length of time over which the Company hedged its exposure is approximately one year. At September 30, 2023 and March 31, 2023, the weighted-average remaining maturity of these instruments was approximately 0.4 years and 0.5 years, respectively.

At September 30, 2023 and March 31, 2023, in connection with cash flow hedges of foreign currency cost transactions, the Company had net deferred gains of \$22 million and \$1 million (each before taxes), respectively, in accumulated other comprehensive income ("AOCI"). The Company estimates that \$22 million (before taxes) of net deferred gains on derivatives in AOCI at September 30, 2023 will be reclassified to net income within the next twelve months, providing an offsetting economic impact against the underlying anticipated transactions.

Derivatives Not Designated as Hedging Instruments

The Company enters into currency forward and swap contracts to hedge exposures related to assets, liabilities and earnings across its subsidiaries. These contracts are not designated as hedging instruments, and therefore changes in fair value of these contracts are reported in earnings in other expense (income) in the Consolidated Income Statement. The gains and losses on these contracts generally offset the gains and losses in the underlying hedged exposures, which are also reported in other expense (income) in the Consolidated Income Statement. Cash flows from derivatives not designated as hedges are reported in cash flows from investing activities in the Consolidated Statement of Cash Flows. The terms of these swap contracts are generally less than one year. At September 30, 2023 and March 31, 2023, the total gross notional amount of derivative instruments in economic hedges of foreign currency exposure was \$1.6 billion and \$1.5 billion, respectively.

Notes to Consolidated Financial Statements (continued)

The Effect of Derivative Instruments in the Consolidated Income Statement

The effects of derivatives designated as hedging instruments on the Consolidated Income Statement and Other Comprehensive Income are as follows:

(Dollars in millions) Three months ended September 30:	Unrealized Gain (Loss) Recognized in OCI		Consolidated Income Statement Line Item	Gain (Loss) Reclassified from AOCI to Income	
	2023	2022		2023	2022
Foreign exchange contracts	\$ 11	\$ —	Cost of services	\$ 4	\$ —
Total	\$ 11	\$ —		\$ 4	\$ —

(Dollars in millions) Six months ended September 30:	Unrealized Gain (Loss) Recognized in OCI		Consolidated Income Statement Line Item	Gain (Loss) Reclassified from AOCI	
	2023	2022		2023	2022
Foreign exchange contracts	\$ 26	\$ (5)	Cost of services	\$ 5	\$ 1
Total	\$ 26	\$ (5)		\$ 5	\$ 1

For the three and six months ended September 30, 2023 and 2022, there were no gains or losses excluded from the assessment of hedge effectiveness for cash flow hedges, or associated with an underlying exposure that did not or was not expected to occur, nor are there any anticipated in the normal course of business.

The effects of derivatives not designated as hedging instruments on the Consolidated Income Statement are as follows:

(Dollars in millions) Three months ended September 30:	Consolidated Income Statement Line Item	Gain (Loss) Recognized on Derivatives	
		2023	2022
Foreign exchange contracts	Other expense (income)	\$ (36)	\$ (14)
Total		\$ (36)	\$ (14)

(Dollars in millions) Six months ended September 30:	Consolidated Income Statement Line Item	Gain (Loss) Recognized on Derivatives	
		2023	2022
Foreign exchange contracts	Other expense (income)	\$ (53)	\$ (16)
Total		\$ (53)	\$ (16)

Notes to Consolidated Financial Statements (continued)

NOTE 8. INTANGIBLE ASSETS INCLUDING GOODWILL

Intangible Assets

The following table presents the Company's intangible asset balances by major asset class.

(Dollars in millions)	At September 30, 2023			At March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized software	\$ 137	\$ (28)	\$ 109	\$ 83	\$ (15)	\$ 68
Customer relationships*	221	(152)	70	232	(141)	91
Completed technology	20	(20)	—	20	(20)	—
Patents and trademarks*	17	(7)	10	18	(6)	13
Total	\$ 394	\$ (206)	\$ 188	\$ 353	\$ (182)	\$ 171

* Amounts include effects from foreign currency translation.

The net carrying amount of intangible assets increased by \$17 million during the six months ended September 30, 2023, primarily due to additions in capitalized software, partially offset by amortization and foreign currency translation. The aggregate intangible asset amortization expense was \$16 million and \$27 million for the three and six months ended September 30, 2023, compared to \$10 million and \$25 million for the three and six months ended September 30, 2022, respectively. This included amortization of capitalized software of \$9 million and \$13 million for the three and for the six months ended September 30, 2023, which was reported in "Depreciation of property, equipment and capitalized software" on the Consolidated Statement of Cash Flows.

The future amortization expense relating to intangible assets currently recorded in the Consolidated Balance Sheet was estimated to be the following at September 30, 2023:

(Dollars in millions)	Capitalized Software	Customer Relationships	Patents and Trademarks	Total
Year ending March 31:				
2024 (remaining six months)	\$ 17	\$ 13	\$ 1	\$ 31
2025	35	21	3	59
2026	33	18	3	54
2027	24	15	2	42
2028	—	1	—	1
Thereafter	—	1	—	1

Notes to Consolidated Financial Statements (continued)

Goodwill

The changes in the goodwill balances by segment for the six months ended September 30, 2023 were as follows:

(Dollars in millions) Segment	Balance at March 31, 2023	Additions and Other Adjustments*	Balance at September 30, 2023
United States	\$ —	\$ —	\$ —
Japan	495	(6)	489
Principal Markets	142	—	142
Strategic Markets	176	—	176
Total	\$ 812	\$ (6)	\$ 806

* Primarily driven by foreign currency translation.

There were no goodwill impairment losses recorded for the six months ended September 30, 2023 and 2022. Management reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable by first assessing qualitative factors to determine if it is more likely than not that fair value is less than carrying value.

NOTE 9. BORROWINGS

Debt

The following table presents the components of our debt:

(Dollars in millions)	Interest Rate	Maturity	September 30, 2023	March 31, 2023
Unsecured floating-rate term loan	6.55%*	November 2024	\$ 500	\$ 500
Commercial loan agreement	3.00%	July 2026	82	96
Unsecured senior notes due 2026	2.05%	October 2026	700	700
Unsecured senior notes due 2028	2.70%	October 2028	500	500
Unsecured senior notes due 2031	3.15%	October 2031	650	650
Unsecured senior notes due 2041	4.10%	October 2041	550	550
Finance lease obligations **	5.03%	2023-2028	278	242
			\$ 3,260	\$ 3,238
Less: Unamortized discount			4	5
Less: Unamortized debt issuance costs			12	13
Less: Current maturities of long-term debt			121	110
Total long-term debt			\$ 3,123	\$ 3,111

* Floating rate calculated as of September 30, 2023, using a rate equal to one-month SOFR plus 1.225%. Refer to Note 2 – Accounting Pronouncements for additional information.

** Finance lease obligations presented using the weighted-average interest rate.

Notes to Consolidated Financial Statements (continued)

Contractual obligations of long-term debt outstanding at September 30, 2023, exclusive of finance lease obligations, are as follows:

(Dollars in millions)*	Principal
Year ending March 31:	
2024 (remaining six months)	\$ 14
2025	529
2026	29
2027	710
2028	—
Thereafter	1,700
Total	<u>\$ 2,982</u>

* Contractual obligations approximate scheduled repayments.

During the three months ended September 30, 2023, the Company extinguished \$67 million of finance lease obligations through the sale of certain IT infrastructure services equipment and assignment of associated finance leases, resulting in an immaterial gain in the Consolidated Income Statement.

During the three and six months ended September 30, 2023, the right-of-use assets obtained in exchange for new finance lease liabilities were \$53 million and \$150 million, respectively. During the three and six months ended September 30, 2022, the right-of-use assets obtained in exchange for new finance lease liabilities were \$29 million and \$37 million, respectively.

As of September 30, 2023, there were no borrowings under the Company's revolving credit agreement. The Company is in compliance with its debt covenants in all periods presented.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The Company guarantees certain loans and financial commitments. The maximum potential future payment under these financial guarantees and the fair value of these guarantees recognized in the Consolidated Balance Sheet at September 30, 2023 and March 31, 2023 were not material. Additionally, the Company has contractual commitments that are noncancellable with certain software, hardware and cloud partners used in the delivery of services to customers. During the three and six months ended September 30, 2023, contractual commitments decreased due to satisfaction of existing commitments outpacing new additions.

As a company with approximately 85,000 employees and with clients around the world, Kyndryl is subject to, or could become subject to, either as plaintiff or defendant, a variety of contingencies, including claims, demands and suits, investigations, tax matters and proceedings that arise from time to time in the ordinary course of its business. Given the rapidly evolving external landscape of cybersecurity, privacy and data protection laws, regulations and threat actors, the Company or its clients could become subject to actions or proceedings in various jurisdictions. Also, as is typical for companies of Kyndryl's scope and scale, the Company is subject to, or could become subject to, actions and proceedings in various jurisdictions involving a wide range of labor and employment issues (including matters related to contested employment decisions, country-specific labor and employment laws, and the Company's benefit plans), as well as actions with respect to contracts, securities, foreign operations, competition law and environmental matters. These actions may be commenced by a number of different parties, including competitors, clients, employees, government and regulatory agencies, stockholders and representatives of the locations in which the Company does business. Some of the actions to which the Company is, or may become, a party may involve particularly complex technical issues, and some actions may raise novel questions under the laws of the various jurisdictions in which these matters arise. Additionally, the Company is, or may be, a party to agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters.

Notes to Consolidated Financial Statements (continued)

The Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In accordance with the relevant accounting guidance, the Company provides disclosures of matters for which the likelihood of material loss is at least reasonably possible. In addition, the Company may also disclose matters based on its consideration of other matters and qualitative factors.

The Company reviews claims, suits, investigations and proceedings at least quarterly, and decisions are made with respect to recording or adjusting provisions and disclosing reasonably possible losses or range of losses (individually or in the aggregate) to reflect the impact and status of settlement discussions, discovery, procedural and substantive rulings, reviews by counsel and other information pertinent to a particular matter.

Whether any losses, damages or remedies finally determined in any claim, suit, investigation or proceeding could reasonably have a material effect on the Company's business, financial condition, results of operations or cash flows will depend on a number of variables, including the timing and amount of such losses or damages; the structure and type of any such remedies; the significance of the impact any such losses, damages or remedies may have in the consolidated financial statements; and the unique facts and circumstances of the particular matter that may give rise to additional factors. While the Company will continue to defend itself vigorously, it is possible that the Company's business, financial condition, results of operations or cash flows could be affected in any particular period by the resolution of one or more of these matters.

In July 2017, BMC Software, Inc. ("BMC") filed suit against IBM in the U.S. Court for the Southern District of Texas in a dispute involving various aspects of IBM's business, including its managed infrastructure business. BMC alleged IBM's removal of BMC software from one of its client's sites at the client's request constituted breach of contract, fraudulent inducement and trade secret misappropriation. In May 2022, the trial court entered a judgment against IBM and awarded BMC \$717 million in direct damages and \$717 million in punitive damages, plus interest. IBM has appealed the judgment and is seeking a complete reversal on appeal. IBM may seek an indemnity from the Company in connection with this matter. Until there is a final and conclusive judgment in the case after all appeals and proceedings are concluded, until the amount of any applicable insurance is determined, and until a definitive assessment of Kyndryl's indemnity obligations (if any) occurs, which in the aggregate will likely take several years, the amount of indemnity obligation (if any) that the Company may owe to IBM is indeterminate.

Separately, certain contractual disputes have arisen between Kyndryl and IBM following the Separation. IBM and Kyndryl have commenced arbitration proceedings related to certain of these matters. Kyndryl intends to vigorously pursue its interests and defenses in these matters, including asserting its own claims in arbitration if necessary.

Notes to Consolidated Financial Statements (continued)

NOTE 11. EQUITY

The following tables present reclassifications and taxes related to items of other comprehensive income (loss) for the three and six months ended September 30, 2023 and 2022:

(Dollars in millions)	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
For the three months ended September 30, 2023:			
Foreign currency translation adjustments	\$ (109)	\$ —	\$ (109)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	\$ 11	\$ (4)	\$ 7
Reclassification of (gains) losses to net income	(4)	1	(3)
Total unrealized gains (losses) on cash flow hedges	\$ 7	\$ (3)	\$ 4
Retirement-related benefit plans*:			
Amortization of prior service (credits) costs	\$ —	\$ —	\$ —
Amortization of net (gains) losses	1	—	1
Total retirement-related benefit plans	\$ 1	\$ —	\$ 1
Other comprehensive income (loss)	\$ (101)	\$ (3)	\$ (105)

For the three months ended September 30, 2022:			
Foreign currency translation adjustments	\$ (221)	\$ —	\$ (221)
Retirement-related benefit plans – amortization of net (gains) losses*	\$ 10	\$ (3)	\$ 7
Other comprehensive income (loss)	\$ (211)	\$ (3)	\$ (214)

(Dollars in millions)	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
For the six months ended September 30, 2023:			
Foreign currency translation adjustments	\$ (125)	\$ —	\$ (125)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	\$ 26	\$ (5)	\$ 21
Reclassification of (gains) losses to net income	(5)	1	(4)
Total unrealized gains (losses) on cash flow hedges	\$ 21	\$ (4)	\$ 17
Retirement-related benefit plans*:			
Amortization of prior service (credits) costs	\$ 1	\$ —	\$ 1
Amortization of net (gains) losses	3	(1)	2
Total retirement-related benefit plans	\$ 4	\$ (1)	\$ 3
Other comprehensive income (loss)	\$ (100)	\$ (5)	\$ (104)

For the six months ended September 30, 2022:			
Foreign currency translation adjustments	\$ (488)	\$ —	\$ (488)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	\$ (5)	\$ 2	\$ (3)
Reclassification of (gains) losses to net income	(1)	—	(1)
Total unrealized gains (losses) on cash flow hedges	\$ (6)	\$ 2	\$ (4)
Retirement-related benefit plans – amortization of net (gains) losses*	\$ 20	\$ (6)	\$ 14
Other comprehensive income (loss)	\$ (474)	\$ (4)	\$ (478)

* These AOCI components are included in the computation of net periodic benefit cost. Refer to Note 12 – Retirement-Related Benefits for additional information.

Notes to Consolidated Financial Statements (continued)

The following tables present the components of accumulated other comprehensive income (loss), net of taxes:

(Dollars in millions)	Net Unrealized Gain (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments*	Net Change Retirement- Related Benefit Plans	Accumulated Other Comprehensive Income (Loss)
July 1, 2023	\$ 13	\$ (936)	\$ (140)	\$ (1,062)
Other comprehensive income (loss)	4	(109)	1	(105)
September 30, 2023	<u>\$ 17</u>	<u>\$ (1,045)</u>	<u>\$ (139)</u>	<u>\$ (1,167)</u>
July 1, 2022	\$ (1)	\$ (1,002)	\$ (350)	\$ (1,353)
Other comprehensive income (loss)	—	(221)	7	(214)
September 30, 2022	<u>\$ (1)</u>	<u>\$ (1,223)</u>	<u>\$ (343)</u>	<u>\$ (1,567)</u>

(Dollars in millions)	Net Unrealized Gain (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments*	Net Change Retirement- Related Benefit Plans	Accumulated Other Comprehensive Income (Loss)
April 1, 2023	\$ —	\$ (921)	\$ (142)	\$ (1,062)
Other comprehensive income (loss)	17	(125)	3	(104)
September 30, 2023	<u>\$ 17</u>	<u>\$ (1,045)</u>	<u>\$ (139)</u>	<u>\$ (1,167)</u>
April 1, 2022	\$ 3	\$ (735)	\$ (357)	\$ (1,089)
Other comprehensive income (loss)	(4)	(488)	14	(478)
September 30, 2022	<u>\$ (1)</u>	<u>\$ (1,223)</u>	<u>\$ (343)</u>	<u>\$ (1,567)</u>

* Foreign currency translation adjustments are presented gross.

NOTE 12. RETIREMENT-RELATED BENEFITS

The following table presents the components of net periodic pension cost for the defined benefit pension plans recognized in the Consolidated Income Statement for the three and six months ended September 30, 2023 and 2022.

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Service cost	\$ 9	\$ 12	\$ 19	\$ 24
Interest cost*	15	9	29	18
Expected return on plan assets*	(16)	(10)	(30)	(21)
Amortization of prior service costs (credits)*	—	—	1	—
Recognized actuarial losses (gains)*	1	10	3	20
Net periodic pension cost	<u>\$ 9</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 41</u>

* These components of net periodic pension cost are included in other expense (income) in the Consolidated Income Statement.

The components of net periodic benefit cost for the nonpension postretirement benefit plans and multi-employer plans recognized in the Consolidated Income Statement were not material for any period presented.

Notes to Consolidated Financial Statements (continued)

NOTE 13. TRANSACTIONS WITH FORMER PARENT

Change in Beneficial Ownership

IBM ceased to be a related party of Kyndryl in August 2022 after IBM transferred all of its 19.9% retained interest in Kyndryl common stock to a third-party financial institution through exchange agreements in May and August 2022. Transactions related to former Parent after August 11, 2022 are no longer reported as related-party activities. As a result, there was no related party revenue or cost of services recognized for the three and six months ended September 30, 2023.

Revenue and Purchases Related to Former Parent

Kyndryl provides various services to IBM, including those related to hosting data centers and servicing IBM's information technology infrastructure, which are reported as revenue in the Company's Consolidated Income Statement. Revenue generated from these services was \$82 million and \$287 million for the three and six months ended September 30, 2022, respectively.

Kyndryl utilizes various IBM products and services, recognized as costs of services, in the fulfillment of services contracts. Total cost of services recognized from these related-party transactions in the Company's Consolidated Income Statement was \$421 million and \$1,382 million for the three and six months ended September 30, 2022. The related-party cost for the prior-year periods includes outsourcing goods and services provided by the former Parent to Kyndryl's customers post-Separation.

Capital expenditures for purchases of IBM hardware were reflected as payments for property and equipment within the investing section of the Company's Consolidated Statement of Cash Flows in the amount of \$89 million for the six months ended September 30, 2022. Additionally, as part of the Separation, IBM has committed to provide Kyndryl, at no cost, up to \$265 million of upgraded hardware over a two-year period. The amounts committed by IBM are reflected within other assets (noncurrent) within the Consolidated Balance Sheet at September 30, 2023. For the three and six months ended September 30, 2023, \$84 million and \$110 million, respectively, of the upgraded hardware committed by IBM was delivered to Kyndryl. For the three and six months ended September 30, 2022, \$21 million of the upgraded hardware committed by IBM was delivered to Kyndryl. From the inception of the program to date, \$193 million of upgraded hardware committed by IBM has been delivered to Kyndryl. The expected average useful life of the upgraded hardware is approximately five years, and the Company intends to recognize total depreciation approximating \$265 million over the useful life, consistent with our depreciation policy.

Lease Guarantees

Kyndryl has lease agreements with third parties with an estimated aggregate lease liability of \$56 million that are guaranteed by IBM as of September 30, 2023.

NOTE 14. WORKFORCE REBALANCING AND SITE-RATIONALIZATION CHARGES

During the fiscal year ended March 31, 2023, the Company initiated actions to reduce our overall cost structure and increase our operating efficiency. These actions are anticipated to occur over several quarters and result in workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and lease termination charges (collectively, the "charges"). We expect the total charges to be incurred for this program to be approximately \$290 million, consisting of \$180 million in workforce rebalancing charges and \$110 million in charges related to ceasing to use leased and owned fixed assets and lease termination charges. The Company expects that these actions will reduce future payroll costs, rent expenses and depreciation of property and equipment. We will continue to seek opportunities to increase our operational efficiency and reduce costs, which may result in additional charges in future periods.

Notes to Consolidated Financial Statements (continued)

The following table presents the segment breakout of charges incurred during the three and six months ended September 30, 2023 and during the full length of the program.

(Dollars in millions)	Three Months Ended September 30, 2023	Six Months Ended September 30, 2023	Costs Incurred to Date
United States	\$ 3	\$ 15	\$ 28
Japan	—	2	4
Principal Markets	19	42	105
Strategic Markets	16	45	91
Corporate charges not allocated to the segments	—	3	13
Total charges	\$ 39	\$ 107	\$ 242

The following table presents the classification of workforce rebalancing and site-rationalization activities in the Consolidated Income Statement during the three and six months ended September 30, 2023 and during the full length of the program. Charges in the three and six months ended September 30, 2022 were immaterial.

(Dollars in millions)	Three Months Ended September 30, 2023	Six Months Ended September 30, 2023	Costs Incurred to Date
Cost of services	\$ (3)	\$ (3)	\$ 68
Selling, general and administrative expenses	3	13	22
Workforce rebalancing charges	39	97	152
Total charges	\$ 39	\$ 107	\$ 242

The following table presents the components of and changes in our workforce rebalancing and site-rationalization charges liabilities during the six months ended September 30, 2023.

(Dollars in millions)	Workforce Rebalancing Liabilities*	Liabilities Related to Ceasing to Use Leased Assets	Liabilities Related to Lease Terminations	Liabilities Related to Ceasing to Use Fixed Assets	Total
Balance at March 31, 2023	\$ 55	\$ —	\$ 3	\$ —	\$ 58
Charges / (Benefits)	97	3	(3)	10	107
Cash payments	(107)	—	—	(5)	(112)
Non-cash adjustments	(1)	(3)	—	(5)	(9)
Balance at September 30, 2023	\$ 44	\$ —	\$ —	\$ —	\$ 45

* Excludes historical workforce rebalancing liabilities of \$42 million as of March 31, 2023 and \$33 million as of September 30, 2023 as well as \$2 million of non-cash adjustments and \$6 million cash paid for these historical workforce rebalancing liabilities for the six months ended September 30, 2023 that were inherited from the former Parent. Workforce rebalancing liabilities are recorded within Other Liabilities on the Consolidated Balance Sheet.

Item 2.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2023**

Overview

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 4,073	\$ 4,179	\$ 8,266	\$ 8,467
Revenue growth (GAAP)	(3)%	(9)%	(2)%	(9)%
Revenue growth in constant currency ⁽¹⁾	(5)%	1 %	(3)%	(1)%
Net income (loss)	\$ (142)	\$ (281)	\$ (283)	\$ (531)
Adjusted EBITDA ⁽¹⁾	\$ 574	\$ 428	\$ 1,186	\$ 919

(1) Revenue growth in constant currency and adjusted EBITDA are non-GAAP financial metrics. For definitions of these metrics and a reconciliation of adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, see “Segment Results” below.

(Dollars in millions)	September 30, 2023	March 31, 2023
Assets	\$ 10,602	\$ 11,464
Liabilities	9,489	10,002
Equity	1,113	1,462

Organization of Information

Kyndryl Holdings, Inc. was formed as a wholly-owned subsidiary of IBM in September 2021 to hold the operations of the infrastructure services unit of IBM’s Global Technology Services segment. On November 3, 2021, Kyndryl separated from IBM through a spin-off that was tax-free for U.S. federal tax purposes. Following the Separation, Kyndryl became an independent, publicly-traded company and the world’s leading IT infrastructure services provider.

Financial Performance Summary
Macro Dynamics

In fiscal year 2023, we saw continuing demand for information technology services, despite declining economic growth, increased geopolitical tensions, inflationary pressures and government efforts to stem inflation. Although the risk of economic slowdowns in certain geographies has increased due to higher interest rates and other factors, most economists, including the International Monetary Fund, continue to expect positive global macroeconomic growth in calendar years 2023 and 2024.

Financial Performance

For the three months ended September 30, 2023, we reported \$4.1 billion in revenue, a decline of 3 percent compared to the three months ended September 30, 2022. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships. United States revenue declined 4 percent, Japan revenue declined 7 percent, Principal Markets revenue was unchanged and Strategic Markets revenue decreased 1 percent, compared to the three months ended September 30, 2022. Net loss of \$142 million improved by \$139 million versus the prior-year period driven by progress on our key initiatives to drive operating efficiencies and increased margins, and lower transaction-related costs, partially offset by an increase in workforce rebalancing charges in the current quarter.

Management Discussion (continued)

For the six months ended September 30, 2023, we reported \$8.3 billion in revenue, a decline of 2 percent compared to the six months ended September 30, 2022. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships. United States revenue declined 2 percent, Japan revenue declined 6 percent, Principal Markets revenue declined 1 percent and Strategic Markets revenue decreased 3 percent, compared to the six months ended September 30, 2022. Net loss of \$283 million improved by \$248 million versus the prior-year period driven by progress on our key initiatives to drive operating efficiencies and increased margins, and lower transaction-related costs, partially offset by an increase in workforce rebalancing charges in the current period.

Segment Results

The following table presents our reportable segments' revenue and adjusted EBITDA for the three and six months ended September 30, 2023 and 2022. Segment revenue and revenue growth in constant currency exclude any transactions between the segments.

(Dollars in millions)	Three Months Ended September 30,		Year-over-	Six Months Ended September 30,		Year-over-Year
	2023	2022	Change	2023	2022	Change
			2023 vs. 2022			2023 vs. 2022
Revenue						
United States	\$ 1,108	\$ 1,149	(4)%	\$ 2,272	\$ 2,317	(2)%
Japan	569	614	(7)%	1,180	1,249	(6)%
Principal Markets	1,465	1,472	(0)%	2,949	2,988	(1)%
Strategic Markets	930	944	(1)%	1,865	1,914	(3)%
Total revenue	\$ 4,073	\$ 4,179	(3)%	\$ 8,266	\$ 8,467	(2)%
Revenue growth in constant currency⁽¹⁾	(5)%	1 %		(3)%	(1)%	
Adjusted EBITDA⁽¹⁾						
United States	\$ 176	\$ 167	6 %	\$ 412	\$ 367	12 %
Japan	84	113	(26)%	184	228	(19)%
Principal Markets	185	57	227 %	352	157	125 %
Strategic Markets	150	111	35 %	283	207	37 %
Corporate and other ⁽²⁾	(21)	(20)	NM	(45)	(40)	NM
Total adjusted EBITDA⁽¹⁾	\$ 574	\$ 428	34 %	\$ 1,186	\$ 919	29 %

NM – not meaningful

(1) Revenue growth in constant currency and adjusted EBITDA are non-GAAP financial metrics. See the information below for definitions of these metrics and a reconciliation of adjusted EBITDA to net income (loss).

(2) Represents net amounts not allocated to segments.

We report our financial results in accordance with U.S. GAAP. We also present certain non-GAAP financial measures to provide useful supplemental information to investors. We provide these non-GAAP financial measures as we believe it enhances visibility to underlying results and the impact of management decisions on operational performance and enables better comparison to peer companies.

Revenue growth in constant currency is a non-GAAP measure that eliminates the effects of exchange rate fluctuations when translating from foreign currencies to the United States dollar. It is calculated by using the average exchange rates that existed for the same period of the prior year. Constant-currency measures are provided so that revenue can be viewed without the effect of fluctuations in currency exchange rates, which is consistent with how management evaluates our revenue results and trends.

Additionally, management uses adjusted EBITDA to evaluate our performance. Adjusted EBITDA is a non-GAAP measure and defined as net income (loss) excluding net interest expense, income taxes, depreciation and

Management Discussion (continued)

amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), charges related to ceasing to use leased/fixed assets, charges related to lease terminations, transaction-related costs, pension expenses other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges, impairment expense, significant litigation costs and currency impacts of highly inflationary countries. We believe that adjusted EBITDA is a helpful supplemental measure to assist investors in evaluating our operating results as it excludes certain items whose fluctuation from period to period does not necessarily correspond to changes in the operations of our business. We provide this non-GAAP financial measure as we believe it enhances visibility to underlying results and the impact of management decisions on operational performance, enables better comparison to peer companies and allows us to provide a long-term strategic view of the business.

These disclosures are provided in addition to and not as a substitute for the percentage change in revenue and profit or loss measures on a U.S. GAAP basis compared to the corresponding period in the prior year. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

The following table provides a reconciliation of U.S. GAAP net income (loss) to adjusted EBITDA:

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (142)	\$ (281)	\$ (283)	\$ (531)
Provision for income taxes	33	61	65	107
Workforce rebalancing charges	39	3	97	6
Charges related to ceasing to use leased/fixed assets and lease terminations	—	—	10	—
Transaction-related costs	48	68	89	171
Stock-based compensation expense	25	28	48	54
Interest expense	31	19	61	38
Depreciation of property, equipment and capitalized software	220	221	431	449
Amortization expense	313	301	646	609
Other adjustments*	7	9	23	18
Adjusted EBITDA (non-GAAP)	\$ 574	\$ 428	\$ 1,186	\$ 919

* Other adjustments represent pension expenses other than pension servicing costs and multi-employer plan costs, significant litigation costs, currency impacts of highly inflationary countries, and an adjustment to reduce amortization expense for the amount already included in transaction-related costs above.

United States

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 1,108	\$ 1,149	\$ 2,272	\$ 2,317
Revenue year-over-year change	(4)%	(2)%	(2)%	(3)%
Adjusted EBITDA	\$ 176	\$ 167	\$ 412	\$ 367
Adjusted EBITDA year-over-year change	6 %		12 %	

For the three months ended September 30, 2023, United States revenue of \$1.1 billion decreased 4 percent compared to the prior-year quarter, driven by the Company's efforts to reduce certain low-margin revenues. Adjusted EBITDA increased \$9 million from the prior-year quarter, primarily driven by increased operating efficiencies and higher margins on recent signings, partially offset by an increase in software costs of \$19 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

Management Discussion (continued)

For the six months ended September 30, 2023, United States revenue of \$2.3 billion decreased 2 percent compared to the six months ended September 30, 2022, driven by the Company's efforts to reduce certain low-margin revenues. Adjusted EBITDA increased \$45 million from the prior-year period, primarily driven by increased operating efficiencies and higher margins on recent signings, partially offset by an increase in software costs of \$38 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

Japan

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 569	\$ 614	\$ 1,180	\$ 1,249
Revenue year-over-year change	(7)%	(16)%	(6)%	(15)%
Revenue growth in constant currency	(3)%	6 %	(1)%	3 %
Adjusted EBITDA	\$ 84	\$ 113	\$ 184	\$ 228
Adjusted EBITDA year-over-year change	(26)%		(19)%	

For the three months ended September 30, 2023, Japan revenue of \$569 million decreased 7 percent compared to the prior-year quarter, driven primarily by an unfavorable currency exchange rate impact of four points. Adjusted EBITDA decreased \$29 million from the prior-year quarter, primarily driven by unfavorable currency movements that impacted both non-yen-denominated costs and the translation of earnings into U.S. dollars.

For the six months ended September 30, 2023, Japan revenue of \$1.2 billion decreased 6 percent compared to the six months ended September 30, 2022, driven by an unfavorable currency exchange rate impact of five points. Adjusted EBITDA decreased \$44 million from the prior-year period, primarily driven by unfavorable currency movements that impacted both non-yen-denominated costs and the translation of earnings into U.S. dollars.

Principal Markets

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 1,465	\$ 1,472	\$ 2,949	\$ 2,988
Revenue year-over-year change	(0)%	(16)%	(1)%	(17)%
Revenue growth in constant currency	(5)%	(5)%	(3)%	(7)%
Adjusted EBITDA	\$ 185	\$ 57	\$ 352	\$ 157
Adjusted EBITDA year-over-year change	227 %		125 %	

For the three months ended September 30, 2023, Principal Markets revenue of \$1.5 billion was unchanged compared to the prior-year quarter, reflecting a favorable currency exchange rate impact of five points. The revenue decline in constant currency was largely attributable to actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA increased \$128 million from the prior-year quarter, primarily due to increased operating efficiencies, higher margins on recent signings and a decrease in software costs of \$24 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

For the six months ended September 30, 2023, Principal Markets revenue of \$2.9 billion decreased 1 percent compared to the six months ended September 30, 2022, including a favorable currency exchange rate of two points. The revenue decline was largely attributable to actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA increased \$195 million from the prior-year period, primarily due to increased operating efficiencies, higher margins on recent signings and a decrease in software costs of \$48 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

Management Discussion (continued)

Strategic Markets

(Dollars in millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 930	\$ 944	\$ 1,865	\$ 1,914
Revenue year-over-year change	(1)%	2 %	(3)%	2 %
Revenue growth in constant currency	(7)%	11 %	(6)%	10 %
Adjusted EBITDA	\$ 150	\$ 111	\$ 283	\$ 207
Adjusted EBITDA year-over-year change	35 %		37 %	

For the three months ended September 30, 2023, Strategic Markets revenue of \$930 million decreased 1 percent compared to the prior-year quarter, including a favorable currency exchange rate impact of six points. The revenue decline was largely attributable to actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA increased \$39 million from the prior-year quarter, primarily due to increased operating efficiencies and higher margins on recent signings, partially offset by an increase in software costs of \$9 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

For the six months ended September 30, 2023, Strategic Markets revenue of \$1.9 billion decreased 3 percent compared to the six months ended September 30, 2022, including a favorable currency exchange rate impact of three points. The revenue decline was largely attributable to actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA increased \$76 million from the prior-year period, primarily due to increased operating efficiencies and higher margins on recent signings, partially offset by an increase in software costs of \$17 million resulting from an amendment of the contract with a software provider that re-allocated costs among our segments.

Corporate and Other

Corporate and other had an adjusted EBITDA loss of \$21 million in the three months ended September 30, 2023, compared to a loss of \$20 million in the three months ended September 30, 2022. Corporate and other had an adjusted EBITDA loss of \$45 million in the six months ended September 30, 2023, compared to a loss of \$40 million in the six months ended September 30, 2022.

Costs and Expenses

(Dollars in millions)	Three Months Ended September 30,		Percent of Revenue		Change 2023 vs. 2022
	2023	2022	2023	2022	
Revenue	\$ 4,073	\$ 4,179	100.0 %	100.0 %	(3)%
Cost of services	3,422	3,613	84.0 %	86.5 %	(5)%
Selling, general and administrative expenses	634	706	15.6 %	16.9 %	(10)%
Workforce rebalancing charges	39	3	1.0 %	0.1 %	NM
Transaction-related costs	48	68	1.2 %	1.6 %	(30)%
Interest expense	31	19	0.8 %	0.4 %	68 %
Other expense (income)	8	(10)	0.2 %	(0.2)%	NM
Income (loss) before income taxes	\$ (109)	\$ (219)			

NM – not meaningful

Cost of services was 84.0% of revenue in the three months ended September 30, 2023, compared to 86.5% in the three months ended September 30, 2022, driven by increased operating efficiencies, higher margins on recent signings, and actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Selling, general and administrative expenses were 15.6% of revenue in the three months ended

Management Discussion (continued)

September 30, 2023 compared to 16.9% in the prior-year quarter, driven by increased operating efficiencies and benefits from workforce rebalancing. Workforce rebalancing charges were 1.0% of revenue in the three months ended September 30, 2023 versus 0.1% of revenue in the prior-year quarter, due to workforce rebalancing actions taken in the second quarter of fiscal 2024. Transaction-related costs were 1.2% of revenue in the three months ended September 30, 2023 compared to 1.6% in the prior-year quarter, driven by reduced rebranding and employee retention costs. Interest expense was 0.8% of revenue in the three months ended September 30, 2023 compared to 0.4% in the prior-year quarter.

(Dollars in millions)	Six Months Ended September 30,		Percent of Revenue		Change
	2023	2022	2023	2022	2023 vs. 2022
Revenue	\$ 8,266	\$ 8,467	100.0 %	100.0 %	(2)%
Cost of services	6,871	7,290	83.1 %	86.1 %	(6)%
Selling, general and administrative expenses	1,353	1,400	16.4 %	16.5 %	(3)%
Workforce rebalancing charges (benefits)	97	6	1.2 %	0.1 %	NM
Transaction-related costs	89	171	1.1 %	2.0 %	(48)%
Interest expense	61	38	0.7 %	0.5 %	59 %
Other expense (income)	13	(13)	0.2 %	(0.2)%	NM
Income (loss) before income taxes	\$ (218)	\$ (425)			

NM – not meaningful

Cost of services was 83.1% of revenue in the six months ended September 30, 2023, compared to 86.1% in the six months ended September 30, 2022, driven by increased operating efficiencies, higher margins on recent signings and actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Selling, general and administrative expenses were 16.4% of revenue in the six months ended September 30, 2023 compared to 16.5% in the six months ended September 30, 2022. Workforce rebalancing charges were 1.2% of revenue in the six months ended September 30, 2023 versus 0.1% of revenue in the prior-year period, due to workforce rebalancing actions taken in the first half of fiscal 2024. Transaction-related costs were 1.1% of revenue in the six months ended September 30, 2023 compared to 2.0% in the prior-year period, driven by reduced rebranding and employee retention costs. Interest expense was 0.7% of revenue in the six months ended September 30, 2023 compared to 0.5% in the prior-year period.

Stock-Based Compensation

In the three months ended September 30, 2023, the Company granted equity awards to employees. These awards included 2.8 million restricted stock units that will vest ratably over four years; 2.0 million performance-conditioned stock units that are based on the attainment of operational milestones; and 0.6 million market-conditioned performance stock units that are based on the performance of the Company's stock relative to that of its peers. Both types of performance-based awards will cliff vest based on the extent to which the performance criteria have been achieved as soon as practicable following the completion of the performance period on March 31, 2026. The total grant date fair value of the RSUs was determined using the stock price at the grant date and will be recognized as stock-based compensation expense on a straight-line basis net of actual forfeitures over the vesting period. The fair value of the performance-conditioned performance stock units (\$13.37 per unit) was determined using the stock price at the grant date and will be adjusted and recognized as stock-based compensation expense based upon the probability of achievement of performance targets at each reporting period over the vesting period. The fair value of the market-conditioned performance stock units (\$14.10 per unit) was determined at the grant date using a Monte Carlo simulation model and will be recognized as stock-based compensation expense on a straight-line basis net of actual forfeitures over the vesting period. Dividend equivalents are not paid on the stock awards described above. The expense associated with these awards was \$4 million during the three months ended September 30, 2023.

Management Discussion (continued)

Transaction-Related Charges

The Company classifies certain expenses related to the Separation, acquisitions and divestitures (if any) as “transaction-related costs” in the Consolidated Income Statement. Transaction-related costs include expenditures incurred to prepare for and execute the Separation and establish Kyndryl as a standalone business. These costs include employee retention expenses, information technology costs, marketing expenses to establish the Kyndryl brand, legal, accounting, consulting and other professional service costs required to prepare for and execute the Separation, and other costs related to contract and supplier novation and integration.

Workforce Rebalancing and Site-Rationalization Charges

During the fiscal year ending March 31, 2023, management initiated certain actions to reduce our overall cost structure and increase our operating efficiency. These actions include workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and charges related to lease terminations. Workforce rebalancing charges arise from cost-reduction actions to enhance productivity and cost-competitiveness and to rebalance skills that result in payments to the terminated employees. In addition, we identified certain leased and owned assets that were inherited from IBM as a result of the Separation that we determined will no longer provide any economic benefit to Kyndryl. As a result, we disposed of these assets through abandonment or early termination. During the three months ended September 30, 2023, the Company recognized \$39 million in workforce rebalancing charges and immaterial charges related to ceasing to use leased and owned fixed assets and lease termination charges. During the six months ended September 30, 2023, the Company recognized \$97 million in workforce rebalancing charges and \$10 million in charges related to ceasing to use leased and owned fixed assets and lease termination charges.

Management expects total future charges for this program to be approximately \$50 million, primarily relating to workforce rebalancing. The Company estimates that the program in aggregate will require a cash outlay of approximately \$280 million, of which approximately \$140 million has been paid through September 30, 2023 (including \$20 million of contractual payments toward leased assets we have ceased to use) and approximately \$100 million is expected to be paid in the second half of fiscal year 2024, and the remainder thereafter. Management expects that these workforce rebalancing and site-rationalization activities will reduce payroll costs, rent expenses and depreciation of property and equipment by approximately \$240 million in fiscal year 2024. There can be no guarantee that we will achieve our expected cost savings. The Company will continue to seek opportunities to improve operational efficiency and reduce costs, which may result in additional charges in future periods. For additional information, see Note 14 – Workforce Rebalancing and Site-Rationalization Charges in the accompanying Consolidated Financial Statements.

Income Taxes

The provision for income taxes for the three months ended September 30, 2023 was \$33 million of expense, compared to \$61 million of expense for the three months ended September 30, 2022. Our income tax expense for the three months ended September 30, 2023 and 2022 was primarily related to taxes on foreign operations and valuation allowances recorded in certain jurisdictions against deferred tax assets that are not more likely than not to be realized.

The provision for income taxes for the six months ended September 30, 2023 was \$65 million of expense, compared to \$107 million of expense for the six months ended September 30, 2022. Our income tax expense for the six months ended September 30, 2023 and 2022 was primarily related to taxes on foreign operations and valuation allowances recorded in certain jurisdictions against deferred tax assets that are not more likely than not to be realized.

In assessing the need for a valuation allowance, management considers all available evidence for each jurisdiction, including past operating results, estimates of future taxable income, the reversal of existing temporary differences, and the feasibility of ongoing tax planning strategies and actions. Estimates of future taxable income and loss could change, perhaps materially, which may require us to revise our assessment of the recoverability of the deferred tax asset at that time.

Management Discussion (continued)**Financial Position****Dynamics**

Total assets of \$10.6 billion decreased by \$862 million (and decreased by \$631 million adjusted for currency) from March 31, 2023, primarily driven by: a decrease in cash and cash equivalents of \$439 million mainly due to timing of payments, the net loss in the period and currency impacts; a decrease in deferred costs of \$254 million due to amortization outpacing additions and currency impacts; a decrease in property and equipment of \$133 million mainly due to depreciation outpacing capital expenditures and currency impacts; and a decrease in deferred tax assets of \$62 million primarily due to tax effects of certain components of year-to-date pretax income and currency impacts; partially offset by an increase of \$140 million in accounts receivable due to timing of billing and collection.

Total liabilities of \$9.5 billion decreased by \$513 million (and decreased by \$335 million adjusted for currency) from March 31, 2023, primarily as a result of: a decrease in accounts payable of \$528 million due to the timing of payments and currency impacts; and a decrease in deferred income of \$76 million mainly due to currency impacts; partially offset by an increase in accrued contract costs of \$164 million due to timing of vendors' billings. Total equity of \$1.1 billion decreased \$349 million from March 31, 2023, principally due to our comprehensive loss in the period.

Working Capital

(Dollars in millions)	September 30, 2023	March 31, 2023
Current assets	\$ 4,593	\$ 4,963
Current liabilities	4,485	4,868
Working capital	\$ 108	\$ 95

Working capital increased \$13 million from March 31, 2023. Current assets decreased \$370 million (and decreased \$267 million adjusted for currency) primarily driven by: a decrease of \$439 million in cash and cash equivalents and a decrease of \$118 million in deferred costs (current); partially offset by an increase of \$140 million in accounts receivable. Current liabilities decreased \$383 million (and decreased \$253 million adjusted for currency) as a result of a decrease in accounts payable of \$528 million; partially offset by an increase in accrued contract costs of \$164 million.

Noncurrent Assets and Liabilities

Noncurrent assets of \$6.0 billion at September 30, 2023 decreased by \$492 million (and decreased by \$364 million adjusted for currency) compared to March 31, 2023, driven by a decrease in deferred costs (noncurrent) of \$135 million, a decrease in property and equipment of \$133 million; and a decrease in deferred tax assets of \$62 million.

Noncurrent liabilities of \$5.0 billion at September 30, 2023 decreased \$130 million (and decreased by \$82 million adjusted for currency) compared to March 31, 2023, mainly driven by a decrease in operating lease liabilities of \$47 million and a decrease in deferred income (noncurrent) of \$46 million.

Management Discussion (continued)

Cash Flow

Our cash flows from operating, investing and financing activities are summarized in the table below.

(Dollars in millions)	Six Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ (127)	\$ 491
Investing activities	(208)	(516)
Financing activities	(80)	(69)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(33)	(160)
Net change in cash, cash equivalents and restricted cash	<u>\$ (448)</u>	<u>\$ (253)</u>

Net cash used in operating activities was \$127 million in the six months ended September 30, 2023, compared to net cash provided of \$491 million in the prior-year period. This change was primarily driven by payments toward license agreements, annual incentives and workforce rebalancing liabilities and timing of billings and collections in the current period.

Net cash used in investing activities was \$208 million in the six months ended September 30, 2023, compared to a net cash use of \$516 million in the prior-year period due to lower capital expenditures.

Net cash used in financing activities totaled \$80 million in the six months ended September 30, 2023, compared to net cash used in financing activities of \$69 million in the prior-year period.

Other Information

Signings

The following table presents the Company's signings for the three and six months ended September 30, 2023 and 2022.

(Dollars in billions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Total signings	\$ 2.4	\$ 2.5	\$ 5.2	\$ 5.4

Signings decreased by \$58 million in the three months ended September 30, 2023, or 2%, compared to the prior-year quarter. Signings decreased by \$203 million in the six months ended September 30, 2023, or 4%, compared to the six months ended September 30, 2022 due to the Company's efforts to reduce certain low-margin revenues. We believe that the estimated values of signings provide insight into the Company's potential future revenue and are a tool to monitor trends in the business, including the business' ability to attract new customers and sell additional scope into our existing customer base, and we believe signings are helpful information for investors. There are no third-party standards or requirements governing the calculation of signings. We define signings as an initial estimate of the value of a customer's commitment under a contract. The calculation involves estimates and judgments to gauge the extent of a customer's commitment, including the type and duration of the agreement and the presence of termination charges or wind-down costs. Contract extensions and increases in scope are treated as signings only to the extent of the incremental new value. Signings can vary over time due to a variety of factors including, but not limited to, the timing of signing a small number of larger outsourcing contracts as well as the length of those contracts. The conversion of signings into revenue may vary based on the types of services and solutions, customer decisions and other factors, which may include, but are not limited to, the macroeconomic environment or external events.

Management Discussion (continued)

Liquidity and Capital Resources

We believe that our existing cash and cash equivalents and the Revolving Credit Agreement entered into in October 2021, will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Senior Unsecured Notes

In October 2021, in preparation for our Spin-off, we completed the offering of \$2.4 billion in aggregate principal amount of senior unsecured fixed-rate notes as follows: \$700 million aggregate principal amount of 2.05% Senior Notes due 2026, \$500 million aggregate principal amount of 2.70% Senior Notes due 2028, \$650 million aggregate principal amount of 3.15% Senior Notes due 2031 and \$550 million aggregate principal amount of 4.10% Senior Notes due 2041 (the “Notes”). The Notes were offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in reliance on Regulation S of the Securities Act. The Notes are subject to customary affirmative covenants, negative covenants and events of default for financings of this type and are redeemable at our option in a customary manner.

In connection with the issuance of the Notes, we entered into a registration rights agreement with the initial purchasers of the Notes, pursuant to which we completed a registered offering to exchange each series of Notes for new notes with substantially identical terms during the quarter ended September 30, 2022.

Term Loan and Revolving Credit Facility

In October 2021, we entered into a \$500 million three-year variable rate term loan credit agreement (the “Term Loan Credit Agreement”). In November 2021, we drew down the full \$500 million available under the Term Loan Credit Agreement.

In October 2021, we entered into a \$3.15 billion multi-currency revolving credit agreement (the “Revolving Credit Agreement” and, together with the Term Loan Credit Agreement, the “Credit Agreements”) for our future liquidity needs.

In June 2023, we amended the Credit Agreements by replacing the London Interbank Offered Rate (“LIBOR”) as the interest rate benchmark for U.S. Dollar borrowings with the Secured Overnight Financing Rate (“SOFR”). The first repricing date using SOFR was in July 2023.

The Revolving Credit Agreement expires, unless extended, in October 2026, and the Term Loan Credit Agreement matures, unless extended, in November 2024. Interest rates on borrowings under the Credit Agreements are based on prevailing market interest rates, plus a margin, as further described in the Credit Agreements. As of September 30, 2023, there were no borrowings under the Revolving Credit Agreement.

We may voluntarily prepay our debt without premium or penalty, subject to customary “breakage” costs. The Company is in compliance with all of its debt covenants for all periods presented.

Transfers of Financial Assets

The Company has entered into agreements with third-party financial institutions to sell certain financial assets (primarily trade receivables) without recourse. The Company has determined these are true sales. The carrying value of the financial asset sold is derecognized, and a net gain or loss on the sale is recognized, at the time of the transfer. The first agreement, which was executed in November 2021 and subsequently amended, enabled us to sell certain of our trade receivables to the counterparty. The initial term of this agreement was 18 months, and the agreement automatically resets to a term of 18 months after every six months, unless one of the parties elects not to extend. The second agreement was executed in June 2022 with a separate third-party financial institution. The initial term of this agreement is twelve months, and was extended for an additional year.

Management Discussion (continued)

The net proceeds from these agreements are reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. Gross proceeds from receivables sold to third parties under such programs were \$913 million and \$2.1 billion for the three and six months ended September 30, 2023, respectively, and \$722 million and \$1.3 billion for the three and six months ended September 30, 2022, respectively. The fees associated with the transfers of receivables were \$12 million and \$28 million for the three and six months ended September 30, 2023, respectively, and \$12 million and \$20 million for the three and six months ended September 30, 2022, respectively. The year-over-year change was due to the aforementioned amendments.

Critical Accounting Estimates

The application of U.S. GAAP requires us to make estimates and assumptions about certain items and future events that directly affect our reported financial condition. There have been no changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 for more information; we refer to the Annual Report on Form 10-K for the fiscal year ended March 31, 2023 as the “Form 10-K”.

Cautionary Note Regarding Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report, including, without limitation, statements concerning the Company’s plans, objectives, goals, beliefs, business strategies, future events, business condition, results of operations, financial position, business outlook and business trends and other non-historical statements in this report are forward-looking statements. Such forward-looking statements often contain words such as “will,” “anticipate,” “predict,” “project,” “contemplate,” “plan,” “forecast,” “future,” “estimate,” “expect,” “intend,” “target,” “may,” “should,” “would,” “could,” “outlook,” “goal,” “objective,” “seek,” “aim,” “believe” and other similar words or expressions or the negative thereof or other variations thereon. Forward-looking statements are based on the Company’s current assumptions and beliefs regarding future business and financial performance. The Company’s actual business, financial condition or results of operations may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others:

- risks related to the Company’s spin-off from IBM;
- failure to attract new customers, retain existing customers or sell additional services to customers;
- technological developments and the Company’s response to such developments;
- failure to meet growth and productivity objectives;
- competition;
- impacts of relationships with critical suppliers and partners;
- inability to attract, retain and/or manage key personnel and other skilled employees;
- impact of local legal, economic, political, health and other conditions;
- a downturn in economic environment and customer spending budgets;
- damage to the Company’s reputation;
- inability to accurately estimate the cost of services and the timeline for completion of contracts;
- its implementation of a new enterprise resource planning system and other systems and processes;
- service delivery issues;
- the Company’s ability to successfully manage acquisitions, alliances and dispositions, including integration challenges, failure to achieve objectives, the assumption of liabilities, and higher debt levels;
- the impact of our business with government customers;
- failure of the Company’s intellectual property rights to prevent competitive offerings and the failure of the Company to obtain necessary licenses;
- the impairment of our goodwill or long-lived assets;
- risks relating to cybersecurity and data privacy;
- risks relating to non-compliance with legal and regulatory requirements;

Management Discussion (continued)

- adverse effects from tax matters and environmental matters;
- legal proceedings and investigatory risks and potential indemnification obligations;
- impact of changes in market liquidity conditions and customer credit risk on receivables;
- the Company's pension plans;
- the impact of currency fluctuations; and
- risks related to the Company's common stock and the securities market.

Additional risks and uncertainties include, among others, those risks and uncertainties described in the "Risk Factors" section of our Form 10-K for the fiscal year ended March 31, 2023, as such factors may be updated from time to time in the Company's subsequent filings with the SEC. Any forward-looking statement in this report speaks only as of the date on which it is made. Except as required by law, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Website and Social Media Disclosure

The Company may use its website and/or social media outlets, such as Facebook, LinkedIn and X (formerly Twitter), as distribution channels of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website at <https://investors.kyndryl.com>, its Facebook page at <https://www.facebook.com/kyndryl>, its LinkedIn page at <https://linkedin.com/company/kyndryl> and its X (formerly Twitter) account (@Kyndryl) at <https://X.com/Kyndryl>. We may also use our Investors Relations website, <https://investors.kyndryl.com>, as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting the "Investor Email Alerts" section under the "Resources" section at <https://investors.kyndryl.com>.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For our disclosures about market risk, see the information under the heading “Quantitative and Qualitative Disclosures About Market Risk” in the Form 10-K. There have been no material changes to the Company’s disclosure about market risk in the Form 10-K.

Item 4. Controls and Procedures

The Company’s management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2023, we completed the implementation of a new enterprise resource planning system. The implementation included changes to certain financial processes impacting key controls related to our internal controls over financial reporting. We have updated our internal controls as appropriate in light of the system implementation and will continue to monitor the impact of the implementation on our processes, procedures and internal control over financial reporting. There have been no other changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

Refer to Note 10 – Commitments and Contingencies, in the notes to consolidated financial statements in this report.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under the heading “Risk Factors” in our Form 10-K for the year ended March 31, 2023. There have been no material changes with respect to the risk factors disclosed in the Form 10-K.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2023, none of the Company’s directors or executive officers adopted, terminated or modified a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as such terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
2.1	The Separation and Distribution Agreement, dated as of November 2, 2021, by and between International Business Machines Corporation and the registrant was filed as Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on November 4, 2021, and is hereby incorporated by reference.
3.1	The Amended and Restated Certificate of Incorporation of the registrant was filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on November 4, 2021, and is hereby incorporated by reference.
3.2	The Amended and Restated Bylaws of the registrant, effective January 25, 2023, was filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on January 27, 2023, and is hereby incorporated by reference.
10.1	Amendment No. 1 to the Five-Year Revolving Credit Agreement, dated as of June 21, 2023, among the Company, the Lenders party thereto and JPMorgan Chase Bank N.A., as Administrative Agent, was filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 23, 2023, and is hereby incorporated by reference.
10.2	Amendment No. 1 to the Term Loan Credit Agreement, dated as of June 21, 2023, among the Company, the Lenders party thereto and JPMorgan Chase Bank N.A., as Administrative Agent, was filed as Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on June 23, 2023, and is hereby incorporated by reference.
10.3	Amended and Restated Kyndryl 2021 Long-Term Performance Plan (LTPP) was filed as Exhibit 4.3 to the registrant's Registration Statement on Form S-8 filed on July 31, 2023, and is hereby incorporated by reference.
10.4	Amendment to the Kyndryl Executive Severance Plan and Executive Retirement Policy was filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on July 31, 2023, and is hereby incorporated by reference.
10.5	Form of LTPP equity award agreement for restricted stock units.
10.6	Form of LTPP equity award agreement for performance share units.
10.7	Amendment to the Kyndryl Executive Severance Plan and Executive Retirement Policy.
31.1	Certification of principal executive officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of principal executive officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of principal financial officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	XBRL Instance Document – the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and do not apply in any other context or at any time other than the date they were made.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kyndryl Holdings, Inc.

(Registrant)

Date: November 8, 2023_____

By: /s/ Vineet Khurana_____

Vineet Khurana
Vice President and Controller
(Principal Accounting Officer and Authorized
Signatory)

Kyndryl

Restricted Stock Units Equity Award Agreement
Confidential

Plan	Amended and Restated Kyndryl 2021 Long-Term Performance Plan (the “Plan” or “Amended Plan”)				
Award Type	[Restricted Stock Units, Cash-Settled Restricted Stock Units]				
Purpose	<p>The purpose of this Award is to reward and retain the services of the recipient. You recognize that this Award represents a potentially significant benefit to you and is awarded for the purpose stated here.</p> <p>Capitalized terms not specifically defined in this Equity Award Agreement have the meanings given to them in the Amended Plan.</p>				
Awarded to Employee ID Home Country	[Participant Name] [Employee ID]				
Award Agreement	This Equity Award Agreement, together with the Amended Plan, which is incorporated herein by reference and available at Fidelity, constitute the entire agreement between you and Kyndryl with respect to your Award pursuant to Section 22 of this Equity Award Agreement.				
Grant	<p>Date [Grant Date] Grant Price [Grant Date Fair Market Value] Number of Units Granted [Number Awards Granted]</p>				
Vesting	<p>This Award vests as set forth below, subject to your continued employment with Kyndryl as described in this Equity Award Agreement.</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Date</th> <th style="text-align: left;">Units</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Date	Units		
Date	Units				
Payout of Award	<p>Subject to Sections 12 and 13 of the Amended Plan and Section 7 of this Equity Award Agreement, upon the “Vesting” date(s) indicated above, the Company shall (1) deliver to you a number of shares of Common Stock equal to the number of your vested RSUs, or (2) make a cash payment to you equal to the Fair Market Value on the Vesting date of the number of your vested RSUs, except where cash payments are prohibited under local law. The aforementioned payment in shares is not applicable in countries in which the Company has determined that the Awards will be deemed to be paid in cash. In such deemed cash-settled countries, the Company shall make a cash payment equal to the Fair Market Value on the Vesting date of the number of your vested RSUs. In either case, the net of any applicable tax withholding, and the respective RSUs shall thereafter be cancelled. Such payment in shares or cash shall be made as soon as practicable following the time vesting of any portion of the Award, but in all events no later than 2 ½ months following the year in which your Award vests, and will equal the vested portion of the Award, subject to the terms and conditions of the Amended Plan and this Equity Award Agreement.</p>				

Accept Your Award This Award is considered valid when you accept it. By accepting this Award, you agree to be bound by, and agree that the Award is subject in all respects to, the terms of the Amended Plan. This Award may be cancelled unless you accept within ninety (90) days of receipt. By accepting this Award at Fidelity, you acknowledge having received and read this Equity Award Agreement and the Amended Plan under which this Award was granted and you agree (i) not to hedge the economic risk of this Award or any previously-granted outstanding awards, which includes entering into any derivative transaction on Kyndryl securities (e.g., any short sale, put, swap, forward, option, collar, etc.), and (ii) to comply with the terms of the Amended Plan and this Equity Award Agreement, including those provisions relating to cancellation, rescission and clawback of Awards, jurisdiction and/or local laws, and governing law.

Kyndryl
[Restricted Stock Units, Cash-Settled Restricted Stock Units]
Equity Award Agreement

Terms and Conditions of Your Award

Pursuant to the Amended Plan, the Company has granted you the Award described in this Equity Award Agreement. This Equity Award Agreement provides you with the terms and conditions of your Award. Your Award is subject to the terms and conditions in the governing Plan document.

As an Award recipient, you can see a personalized summary of all your outstanding equity awards at Kyndryl's Fidelity NetBenefits website. This site contains other information about long-term incentive awards, including copies of the prospectus, and the governing Plan document. If you have additional questions and you are based in the U.S., you can contact Fidelity at 800-544-9354, from 5:00 p.m. Sunday through 12:00 a.m. Friday Eastern time. Outside of the U.S. you can use the Fidelity Guide to choose the local Fidelity number for your country.

1. DEFINITION OF TERMS

Defined Terms. Capitalized terms not specifically defined herein shall have the meanings given to them in the Amended Plan. For purposes of this Equity Award Agreement:

- a. "Award" means the grant of any form of stock option, stock or cash award, whether granted singly, in combination or in tandem, to a Participant pursuant to such terms, conditions, performance requirements, limitations and restrictions as the Committee may establish in order to fulfill the objectives of the Amended Plan.
- b. "Board" means the Board of Directors of Kyndryl.
- c. "Common Stock" means authorized and issued or unissued Common Stock of Kyndryl, at such par value as may be established from time to time.
- d. "Committee" means the committee designated by the Board to administer the Amended Plan.
- e. "Company" means Kyndryl and its affiliates and subsidiaries including subsidiaries of subsidiaries and partnerships and other business ventures in which Kyndryl has an equity interest.
- f. "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- g. "Engage in or Associate with" means and includes, without limitation, engagement or association as a sole proprietor, owner, employer, director, partner, principal, joint venture, associate, employee, member, consultant, or contractor. This also includes engagement or association as a shareholder or investor during the course of your employment with the Company, and includes beneficial ownership of five percent (5%) or more of any class of outstanding stock of a competitor of the Company following the termination of your employment with the Company.
- h. "Equity Award Agreement" means this Equity Award Agreement which provides the participant's grant details.
- i. "Fair Market Value" means the average of the high and low prices of Common Stock on the New York Stock Exchange for the date in question, provided that, if no sales of Common Stock were made on said exchange on that date, the average of the high and low prices of Common Stock as reported for the most

recent preceding day on which sales of Common Stock were made on said exchange. Fair Market Value will be calculated in the Participant's home currency at the exchange rate on the applicable Vesting date using a commercially reasonable measure of exchange rate.

- j. "Kyndryl" means Kyndryl Holdings, Inc.
- k. "Participant" means an individual to whom an Award has been made under the Amended Plan. Awards may be made to any employee of, or any other individual providing services to, the Company.
- l. "Plan" or "Amended Plan" means the Amended and Restated Kyndryl 2021 Long-Term Performance Plan, effective July 27, 2023.
- m. "RSUs" means Restricted Stock Units under your Award. All references in this Equity Award Agreement to RSUs include Retention RSUs ("RRSUs"), unless explicitly stated otherwise.
- n. "Spin-Off" means the distribution of shares of Common Stock to the stockholders of International Business Machines Corporation in 2021 pursuant to the Separation and Distribution Agreement and the Employee Matters Agreement between the Company and International Business Machines Corporation entered into in connection with such distribution.
- o. "Termination of Employment" means for the purposes of determining when you cease to be an employee for the cancellation of any Award, a Participant will be deemed to be terminated if the Participant is no longer employed by Kyndryl or a subsidiary corporation that employed the Participant when the Award was granted unless approved by a method designated by those administering the Amended Plan.

2. NATURE OF GRANT

In accepting the grant, you acknowledge, understand and agree to all of the following:

- a. the Amended Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company in accordance with its terms for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law;
- b. you are voluntarily participating in the Amended Plan;
- c. the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants (whether on the same or different terms), or benefits in lieu of Awards, even if an Award has been granted in the past;
- d. all decisions with respect to future grants, if any, will be at the discretion of the Committee, including, but not limited to, the form and timing of the grant, the number of units subject to the grant, and the vesting provisions applicable to the grant;
- e. the grant and your participation in the Amended Plan shall not create a right to employment or be interpreted as forming an employment or services contract with the Company and shall not interfere with the ability of the Company to terminate your employment or service relationship;
- f. shares (or cash) will be issued to you only if the vesting conditions are met and any necessary services are rendered by you over the vesting period;
- g. the RSUs and the shares (or cash) subject to the RSUs are not intended to replace any pension rights or compensation, if applicable;
- h. the RSUs and the shares subject to the RSUs, and the income and value thereof, are an extraordinary item of compensation outside the scope of your employment (and employment contract, if any) and is not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance,

resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

- i. the future value of the shares underlying the RSUs is unknown, indeterminable and cannot be predicted with certainty;
- j. no claim or entitlement to compensation or damages shall arise from forfeiture of RSUs resulting from your ceasing to be employed or otherwise providing services to the Company;
- k. unless otherwise provided herein, in the Amended Plan or by the Company in its discretion, the RSUs and the benefits evidenced by this Equity Award Agreement do not create any entitlement to have the RSUs or any similar benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Kyndryl; and
- l. if you reside or are employed outside of the United States, you acknowledge and agree that the Company shall not be liable for any exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to you pursuant to the settlement of the RSUs or the subsequent sale of any shares acquired upon settlement.

3. NON-SOLICITATION

- a. In consideration of your Award, you agree that during your employment with the Company and for one year following the termination of your employment for any reason, you will not directly or indirectly, or in any capacity on your behalf or on behalf of any other individual, firm, association, partnership, corporation, or other business entity, (i) hire, solicit, or make an offer to; or (ii) attempt to or participate or assist in any effort to hire, solicit, or make an offer to any Restricted Employee to be employed or to perform services outside of the Company. For the purposes of this Paragraph, a "Restricted Employee" is any person (i) who is an employee of the Company at the time of any conduct by you referenced in the preceding sentence, or (ii) who was an employee of the Company at any time in the twelve (12) month period immediately preceding any conduct by you referenced in the preceding sentence.
- b. You also agree that during your employment with the Company and for one year following the termination of your employment for any reason, you will not directly or indirectly, or in any capacity on your behalf or on behalf of any other individual, firm, association, partnership, corporation, or other business entity (i) solicit, for business purposes, any Restricted Customer of the Company; (ii) induce or attempt to induce any Restricted Customer to reduce, eliminate, or terminate its business with the Company; or (iii) divert or attempt to divert any business from a Restricted Customer to any entity that engages in, or owns or controls an interest in any entity that engages in, competition with any business unit or division of the Company in which you worked at any time during the three (3) year period prior to the termination of your employment with the Company. For the purposes of this Paragraph, "Restricted Customer" means any actual or prospective customer of the Company which you were directly or indirectly involved with, or exposed to confidential information about, as part of your job responsibilities during the last twelve (12) months of your employment with the Company. The term "Restricted Customer" shall not include any customer with whom you had a pre-existing relationship prior to becoming employed by the Company.
- c. By accepting your Award, you acknowledge that the Company would suffer irreparable harm if you fail to comply with the foregoing, and that the Company would be entitled to any appropriate relief, including money damages, equitable relief and attorneys' fees.

The above non-solicitation provisions do not apply to you if your home country is in Latin America, specifically: Argentina, Bolivia, Brazil, Chile, Columbia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela, or where explicitly stated otherwise in this Equity Award Agreement.

4. CANCELLATION AND RESCISSION OF AWARDS/CLAWBACK

- a. You understand that the Company may cancel, modify, rescind, suspend, withhold or otherwise limit or restrict this Award in accordance with the terms of the Amended Plan, including without limitation, any policy and/or procedures established by the Committee as required by law, including, but not limited to Section 10D of the Securities Exchange Act of 1934 and any rules promulgated thereunder and any other regulatory regimes. Further, Awards granted under the Amended Plan will be subject to clawback, forfeiture, recoupment, or similar requirements (and such requirements shall be deemed incorporated by reference into all outstanding Equity Award Agreements), including on a retroactive basis, in accordance with any clawback policy that the Company maintains, adopts or is required to adopt pursuant to listing standards of any national securities exchange or association on which the Company's securities are listed or another applicable law, including, but not limited to, the Company's Clawback Policy, as in effect from time to time.
- b. All determinations regarding enforcement, waiver or modification of the cancellation, rescission, clawback, and other provisions of the Amended Plan and this Equity Award Agreement (including the provisions relating to Termination of Employment, death and disability) shall be made in the Company's sole discretion. Determinations made under this Equity Award Agreement and the Amended Plan need not be uniform and may be made selectively among individuals, whether or not such individuals are similarly situated.
- c. You agree that the cancellation, rescission and clawback provisions of the Amended Plan and this Equity Award Agreement are reasonable and agree not to challenge the reasonableness of such provisions, even where forfeiture of your Award is the penalty for violation. Engaging in Detrimental Activity (as defined in the Amended Plan) during employment or after your employment relationship has ended may result in cancellation, rescission or clawback of your Award.
- d. The cancellation, rescission and clawback provisions of the Amended Plan may be triggered by your acceptance of an offer to Engage in or Associate with any business which is or becomes competitive with the Company, or your engagement in competitive activities for one year after your employment relationship with the Company has ended if: (i) on or prior to the date of grant stated in this Equity Award Agreement you have entered into a Noncompetition Agreement with the Company or an affiliate (including, for this purpose, with IBM Corporation or an IBM affiliate prior to the Spin-Off), as applicable; or (ii) the Award is a Retention Restricted Stock Unit Award. Notwithstanding the above, the cancellation, rescission and clawback provisions of the Amended Plan will apply to all Awards if during your employment with the Company you engage in any Detrimental Activity, including competitive activities, described in Section 13(a) of the Amended Plan. However, the clawback period in this Section 4 shall not apply to Section 13(a)(i) of the Amended Plan. For purposes of Section 13(a)(i) of the Amended Plan, the Company may cancel, modify, rescind, suspend, withhold or otherwise limit or restrict this Award for a period of twelve (12) months.
- e. For the avoidance of doubt: (a) all other cancellation, rescission and clawback provisions of the Amended Plan will apply to all Awards if after your employment relationship has ended with the Company but during the clawback period you engage in any Detrimental Activity described in Section 13(a) (excluding Section 13(a)(i)) of the Amended Plan; and (b) the cancellation, rescission and clawback provisions of the Amended Plan will apply to all Awards if during your employment with the Company you engage in any Detrimental Activity, including competitive activities, described in Section 13(a) of the Amended Plan.

5. GOVERNING LAW, EXPENSES AND ADMINISTRATION

This Equity Award Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its conflict of law rules. You agree that any action or proceeding with respect to this Equity Award Agreement shall be brought exclusively in the state and federal courts sitting in New York County or Westchester County, New York. You agree to the personal jurisdiction thereof, and irrevocably waive any objection to the venue of such action, including any objection that the action has been brought in an inconvenient forum.

If any court of competent jurisdiction finds any provision of this Equity Award Agreement, or portion thereof, to be unenforceable, that provision shall be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Equity Award Agreement shall continue in full force and effect.

If you or the Company brings an action to enforce this Equity Award Agreement and the Company prevails, you will pay all costs and expenses incurred by the Company in connection with that action and in connection with collection, including reasonable attorneys' fees.

If the vendor engaged to administer the Amended Plan changes, you consent to moving all of the shares or RSUs you have received under the Amended Plan that is in an account with such vendor (including unvested and previously vested shares or RSUs), to the new vendor engaged to administer the Amended Plan. Such consent will remain in effect unless and until revoked in writing by you.

6. DATA PRIVACY, ELECTRONIC DELIVERY, ELECTRONIC SIGNATURE

By accepting this Award, you agree that data, including your personal data, necessary to administer this Award may be exchanged among the Company as necessary, and with any vendor engaged by the Company to administer this Award, subject to this Equity Award Agreement; you also consent to receiving information and materials in connection with this Award or any subsequent awards under Kyndryl's long-term performance plans, including without limitation any prospectuses and plan documents, by any means of electronic delivery available now and/or in the future (including without limitation by e-mail, by vendor Website access and/or by facsimile), such consent to remain in effect unless and until revoked in writing by you.

- a. By participating in the Amended Plan or accepting any rights granted under it, you consent to and authorize the collection, processing and transfer by the Company of personal data relating to you by the Company for the purposes of fulfilling its obligations and exercising its rights under the Amended Plan, statements and communications relating to the Amended Plan and generally administering and managing the Amended Plan, including keeping records of analysis of and reporting on participation levels and other information about the Amended Plan from time to time. Any such processing shall be in accordance with the purposes and provisions of this data privacy provision. Such consent will remain in effect unless and until revoked in writing by you.

This includes the following categories of data ("Data"):

- i. Data already held in the Company's records for you such as your name and address, employee number, payroll number (if applicable), service dates and whether you work full-time or part-time;
 - ii. Data collected upon you accepting the rights granted under Plan (if applicable); and
 - iii. Data subsequently collected by the Company in relation to your continued participation in the Amended Plan, for example, data about shares offered or received, purchased or sold under the Amended Plan from time to time and other appropriate financial and other data about you and your participation in the Amended Plan (*e.g.*, the date on which shares were granted, your termination of employment and the reasons of termination of employment or retirement).
- b. You expressly consent to the transfer of personal data about you as described in paragraph (a) above by the Company. Data may be transferred not only within the country in which you are based from time to time or within the EU or the European Economic Area ("EEA"), but also worldwide, to other employees and officers of the Company and to the following third parties for the purposes described in paragraph (a) above:
 - i. Plan administrators, auditors, brokers, suppliers, agents and contractors of, and third party service providers, vendor Website Access and/or facsimile to, the Company;

- ii. regulators, tax authorities, stock or security exchanges and other supervisory, regulatory, governmental or public bodies as required by law or otherwise deemed necessary by the Company;
- iii. other third parties to whom the Company may need to communicate/transfer the data in connection with the administration of the Amended Plan, under a duty of confidentiality to the Company; and
- iv. Your family members, heirs, legatees and others associated with you in connection with the Amended Plan.

The Company has internal policies to ensure an equivalent level of protection is in place across the Company's worldwide organization.

You have the right to be informed whether the Company holds personal data about you and, to the extent the Company does so, to have access to those personal data at no charge and require the Company to correct the data if it is inaccurate and to request the erasure, request the restriction of processing or object to the processing and withdraw your consent. You are entitled to all the other rights provided by application data privacy law, including those detailed in any applicable documentation or guidelines provided to you by the Company in the past. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Amended Plan (and may result in the forfeiture of unvested Awards).

7. TERMINATION OF EMPLOYMENT INCLUDING DEATH, DISABILITY AND LEAVE OF ABSENCE

A. Termination of Employment and Continued Vesting

In the event you cease to be an employee (other than on account of death or disability as described in Section 12 of the Amended Plan) prior to the Vesting date(s) set forth in this Equity Award Agreement, all then unvested RSUs, and any share or cash rights, under your Award shall be canceled and forfeited, with no further amount payable thereunder.

However, under the Executive Severance Plan and Executive Retirement Policy, if your employment terminates after you have attained age fifty-five (55) and completed at least ten (10) years of service with the Company you may be eligible for continued RSU vesting (excludes RRSU) upon your retirement from the Company. **Note:** You must have completed one (1) year of active service with the Company measured from the RSU date of grant for such RSUs to be eligible for continued vesting under this Section 7(A). Under its current terms, you are eligible to continue to vest in your eligible outstanding RSUs under the Amended Plan following your termination of employment with the Company if you meet all of the following requirements:

- You terminate employment with the Company after reaching age fifty-five (55) and completing ten (10) years of service with the Company (including, for this purpose, service with IBM for individuals whose employment was transferred from IBM to the Company in connection with the Spin-Off);
- You provide at least six (6) months' written notice of your retirement to the HRVP for your business unit (which period may be waived or shortened if acknowledged in writing by the plan administrator for the Executive Severance Plan);
- You do not voluntarily terminate employment prior to the agreed upon retirement date;
- Your employment is not terminated for Cause; and
- You sign and do not revoke a retirement agreement and general release that will include, among other things, a release of any and all claims that you may have against the Company, and any of its employees,

directors, or agents; confidentiality and trade secret commitments; a non-solicitation of Company employees for two (2) years, and, except to the extent waived by the Company for retirees outside the United States or where such waiver is required by local law for retirees in the United States (in writing by the plan administrator for the Executive Severance Plan and Executive Retirement Policy), a two-year non-competition commitment and a two-year non-solicitation of Company clients.

B. Death or Disability

Prior to the Vesting date in the event of your death all RSUs covered under this Equity Award Agreement shall vest immediately and your Vesting date shall be your date of death. If you are disabled as described in Section 12 of the Amended Plan, your unvested RSUs shall continue to vest according to the terms of your Award.

C. Leave of Absence

In the event of a management approved leave of absence, any unvested RSUs shall continue to vest as if you were an active employee of the Company, subject to the terms of this Equity Award Agreement. If you return to active status, your unvested RSUs will continue to vest according to the terms of your Award.

D. Dividend Equivalents

RSUs do not provide dividends prior to the Vesting date. To the extent the Company pays dividends on its Common Stock, dividend equivalents shall accrue on RSUs until the underlying Award vests, upon which time they shall be paid out in cash.

E. Prior IBM Service

If you were transferred to the Company in connection with the Spin-Off you will have your prior service with International Business Machines Corporation (IBM) (as reflected in the Company's records as of the Spin-Off) counted as if it were service with the Company for purposes of determining years of service under your Award.

8. COUNTRY/JURISDICTION SPECIFIC TERMS AND CONDITIONS

A. Argentina

English Language Consent

You confirm that you have read and understood the terms and conditions of the Amended Plan and this Equity Award Agreement, which were provided in English. You accept and consent to the terms of the documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, being drawn up in English.

B. Canada

Form of Settlement

Notwithstanding any discretion contained in the Amended Plan or this Equity Award Agreement, the RSUs will be settled only in shares. The RSUs do not provide any right for you to receive a cash payment in settlement of the RSUs.

Nature of Grant

Notwithstanding any provision of this Equity Award Agreement to the contrary, in the event your employment is terminated (whether or not later found to be invalid or unlawful for any reason, including for breaching either applicable employment laws or your employment agreement, if any) your right to vest in the RSUs under the

Amended Plan, if any, will terminate effective on the earliest of: (a) the date that your employment with the Company is terminated; and (b) the date that you receive notice of termination of your employment with the Company, regardless of any notice period, period of pay in lieu of such notice or related payments or damages provided or required to be provided under applicable employment law in the jurisdiction where you are employed or the terms of your employment agreement, if any. You will not earn or be entitled to any pro-rated vesting for that portion of time before the date on which your right to vest terminates, nor will you be entitled to any compensation for lost vesting. Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, your right to vest in the RSUs under the Amended Plan, if any, will terminate effective as of the last day of your minimum statutory notice period, but you will not earn or be entitled to any compensation for lost vesting. This does not affect your eligibility for continued vesting under Section 7.

The following terms and conditions apply if you reside in Quebec:

The parties acknowledge that it is their express wish that this Equity Award Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

C. Denmark

Non-Solicitation

The following non-solicitation clause will replace the above non-solicitation provision for individuals with the home country of Denmark:

In consideration of your Award, you agree that during your employment with the Company, you will not directly or indirectly, solicit, for competitive business purposes, any customer of the Company. By accepting your Award, you acknowledge that the Company would suffer irreparable harm if you fail to comply with the foregoing, and that the Company would be entitled to any appropriate relief, including money damages, equitable relief and attorneys' fees.

D. France

English Language Consent

In addition to the English language provisions below, by accepting the grant of RSUs, you confirm having read and understood the Amended Plan and this Equity Award Agreement which were provided in English. You accept the terms and conditions of those documents accordingly.

E. Hong Kong

Settlement of Vested RSUs

The following provision supplements Section 9 (Payment of RSU Awards) of this Equity Award Agreement:

Notwithstanding any discretion set forth in the Amended Plan or this Equity Award Agreement, the RSUs will be settled only in shares. The RSUs do not provide any right for you to receive a cash payment in settlement of the RSUs.

Any shares received by you upon settlement of the RSUs are accepted by you as a personal investment. If, for any reason, the RSUs vest and become non-forfeitable and shares are issued or transferred to you within six (6) months after the RSU grant, you agree that you will not offer the shares to the public in Hong Kong or otherwise dispose of any such shares prior to the six (6) month anniversary of the RSU date of grant.

F. Israel

Data Privacy Provisions

In addition to the data privacy provisions above, you agree that data, including your personal data, necessary to administer this Award may be exchanged among the Company as necessary (including transferring such data out of the country of origin both in and out of the EEA), and with any vendor engaged by the Company to administer this Award.

G. Mexico

Labor Law Acknowledgement and Policy Statement

By accepting the Awards, you acknowledge that the Company, is solely responsible for the administration of the Amended Plan. You further acknowledge that your participation in the Amended Plan, the grant of RSUs and any acquisition of shares under the Amended Plan does not constitute an employment relationship between you and the Company because you are participating in the Amended Plan on a wholly commercial basis. Based on the foregoing, you expressly acknowledge that the Amended Plan and the benefits that you may derive from participation in the Amended Plan do not establish any rights between you and the Company, and do not form part of the employment conditions and or benefits provided by the Company, and any modification of the Amended Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment.

You further understand that your participation in the Amended Plan is as a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue your participation at any time without any liability to you.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Amended Plan or the benefits derived under the Amended Plan, and you therefore grant a full and broad release to the Company, branches, representative offices, shareholders, directors, officers, employees, agents, or legal representatives with respect to any claim that may arise.

Securities

You acknowledge that the Awards, this Equity Award Agreement, the Amended Plan and all other materials that you may receive regarding participation in the Amended Plan do not constitute advertising or an offering of securities in Mexico. The shares acquired pursuant to the Amended Plan have not and will not be registered in Mexico and therefore, neither the RSUs nor the shares may be offered or publicly circulated in Mexico.

H. Portugal

English Language Consent

You hereby expressly declare that you have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Amended Plan and this Equity Award Agreement.

I. Spain

Labor Law Acknowledgment

This provision supplements the acknowledgements contained in Section 2 (Nature of Grant) of this Equity Award Agreement:

In accepting the grant of RSUs, you consent to participation in the Amended Plan and acknowledge that you have received a copy of the Amended Plan.

You understand that the Company has unilaterally, gratuitously and in its own discretion decided to grant under the Amended Plan to certain individuals who may be employees of the Company. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company, other than as set forth in this Equity Award Agreement. Consequently, you understand that the Awards are granted on the assumption and condition that any shares acquired upon settlement of the Awards are not a part of any employment contract (with the Company) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation), or any other right whatsoever. Further, you understand that the Awards would not be granted to you but for the assumptions and conditions referred to above; thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken, or should any of the conditions not be met for any reason, any grant of or right to the Awards shall be null and void.

J. United Kingdom

Responsibility for Tax-Related Items

Without limitation to Section 12 of this Equity Award Agreement, you hereby agree that you are liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or by Fidelity (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to Fidelity (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the Securities Exchange Act of 1934), the terms of the immediately foregoing provision will not apply.

K. United States

Trade Secrets

Nothing in the Amended Plan, prospectus, or this Equity Award Agreement affects your rights, immunities, or obligations under any federal, state, or local law, including under the Defend Trade Secrets Act of 2016 (DTSA), as described in Company policies, or prohibits you from reporting possible violations of law or regulation to a government agency, as protected by law. In accordance with the DTSA, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret if the disclosure (i) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose trade secrets to your attorney and use the trade secret information in such court proceeding, provided that you (i) file any document containing the trade secret under seal, and (ii) do not disclose the trade secret, except pursuant to court order.

You acknowledge that you have been advised by the Company to consult with counsel of your choosing concerning the contents of this Equity Award Agreement.

Cancellation, Rescission, and Clawback

For the avoidance of doubt, unless otherwise required or prohibited by law, the cancellation, rescission, clawback, and recoupment provisions of the Amended Plan will apply if you engage in (1) any Detrimental Activity as described in Section 13(a) of the Amended Plan prior to your employment relationship ending with the Company or (2) any Detrimental Activity described in Section 13(a) of the Amended Plan (other than engaging in competitive activities after your employment relationship has ended with the Company, as described in Section 13(a)(i) of the Amended Plan).

The cancellation, rescission and clawback provisions of the Amended Plan that apply if you engage in Detrimental Activity, as described in Section 13(a)(i) of the Amended Plan during your employment with the Company, constitute “non-competition restrictions” which may affect your ability to obtain future employment. The

cancellation, rescission and clawback provisions of the Amended Plan that apply if you engage in Detrimental Activity, as described in Section 13(a)(vi) of the Amended Plan during or after your employment with the Company, as well as the restrictions in Section 3 of this Equity Award Agreement, constitute “non-solicitation restrictions.” By accepting this Award, you acknowledge that this Equity Award Agreement specifies valuable, mutually agreed, independent consideration (in the form of stock grants and/or long-term cash Awards) for the non-competition and non-solicitation restrictions contained in this Equity Award Agreement, and that the non-solicitation restrictions referenced in this Equity Award Agreement are supported by valuable, mutually-agreed, independent consideration to which you are not otherwise entitled.

If you reside in or work from an office in Colorado, District of Columbia, or Illinois, you may consider this Equity Award Agreement for up to fourteen (14) days prior to signing it. If you reside in or work from an office in Massachusetts, this Equity Award Agreement will take effect no sooner than ten (10) business days after if it is signed by both you and the Company.

Nothing in this Section is intended to supersede or modify the New York choice-of-law provision in Section 5 of this Equity Award Agreement, except with respect to the enforceability of the noncompetition and non-solicitation restrictions, and then only to the extent you work in a state with a statute that provides solely for the law of that particular state to apply, and have worked in that state in the thirty (30) days prior to your execution of this Equity Award Agreement.

9. PAYMENT OF RSU AWARDS

Subject to Sections 12 and 13 of the Amended Plan and Section 7 of this Equity Award Agreement, upon the “Vesting” date(s) indicated above, the Company shall (1) deliver to you a number of shares of Common Stock equal to the number of your vested RSUs, or (2) make a cash payment to you equal to the Fair Market Value on the Vesting date of the number of your vested RSUs, except where cash payment is prohibited under local law. The aforementioned payment in shares is not applicable in countries in which the Company has determined that the Awards will be deemed to be paid in cash. In such deemed cash-settled countries, the Company shall make a cash payment equal to the Fair Market Value on the Vesting date of the number of your vested RSUs. In either case, the net of any applicable tax withholding, and the respective RSUs shall thereafter be cancelled. Such payment in shares or cash payment shall be made as soon as practicable following the time vesting of any portion of the Award, but in all events no later than 2 ½ months following the year in which your Award vests, and will equal the vested portion of the Award, subject to the terms and conditions of the Amended Plan and this Equity Award Agreement.

10. TRANSFERABILITY

You may not transfer or assign, pledge, pay to, exercise or otherwise encumber any RSUs under this Equity Award Agreement prior to the Vesting date, except by law, will or the laws of descent and distribution. Notwithstanding the foregoing, in no event shall RSUs be transferable or assignable other than by will or by the laws of descent and distribution.

Any shares issued or transferred shall be subject to your compliance with policies as the Committee or the Company may deem advisable from time to time, including without limitation, any policies relating to certain minimum stock ownership requirements, including, but not limited to, the Company’s Stock Ownership Guidelines, if applicable. Such policies shall be binding upon the permitted respective legatees, legal representatives, successors and your assignees. The Company shall give notice of any such additional or modified terms and restrictions applicable to shares delivered or deliverable under this Equity Award Agreement to the holder of the RSUs and/or the shares so delivered, as appropriate, pursuant to the provisions of Section 11 or, if a valid address does not appear to exist in the Company’s records, to the last address known by the Company of such holder. Notice of any such changes may be provided electronically, including, without limitation, by publication of such changes to a central website to which any holder of the RSUs or shares issued therefrom has access.

11. NOTICES

Any notice to be given under this Equity Award Agreement shall be addressed to the Company in care of its Chief Human Resources Officer at:

Kyndryl Holdings, Inc.
1 Vanderbilt Avenue, 15th Floor
New York, NY 10017
USA
Attn: Chief Human Resources Officer

(or, if different, the then-current principal business address of the duly appointed Chief Human Resources Officer of the Company) and to you at the address appearing in the Company's records for you or to either party at such other address as either party may hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

12. TAX WITHHOLDING

- a. Regardless of any action the Company takes with respect to any and all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, fringe benefit, payment on account or other tax-related withholding that in the opinion of the Company is required by law ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of the RSUs, the delivery or sale of any shares or cash acquired pursuant to the RSUs and the issuance of any dividends, if applicable, and (ii) will make every attempt to but, does not commit to structure the terms of the grant of any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items.
 - b. To the extent that the grant or vesting of the RSUs, the delivery of shares or cash pursuant to the RSUs or the issuance of dividends, if applicable, results in a withholding obligation for Tax-Related Items, unless otherwise specifically approved and directed by the Committee, you authorize the Company or agent of the Company to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:
 - (i) withholding from your wages or other cash compensation paid to you by the Company;
 - (ii) withholding from proceeds of the sale of shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); or
 - (iii) withholding from the shares to be delivered upon settlement of the RSUs that number of shares having a Fair Market Value equal to the amount required by law to be withheld. If you are subject to taxation in more than one jurisdiction, you acknowledge that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
 - c. You agree to pay to the Company any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of your participation in the Amended Plan that cannot be satisfied by the means previously described. The Company may delay issue or deliver the shares, cash or the proceeds of the sale of shares until such time arrangements have been made to ensure the remittance of all taxes due from you in connection with Tax-Related Items if you fail to comply with such Tax-Related Items.
 - d. You hereby acknowledge that you will not be entitled to any interest or appreciation on shares sold to satisfy the tax withholding requirements (including with respect to any amounts withheld in excess of your tax liability).
 - e. Regardless of any taxes that are withheld, you are solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or in respect of your RSUs, including any taxes and penalties under Section 409A of the Code, and the Company has no obligation to indemnify or otherwise hold you harmless from any or all of such taxes or penalties.
-

13. RSUs SUBJECT TO THE PLAN

By entering into this Equity Award Agreement, you agree and acknowledge that you have received and read a copy of the Amended Plan. All Awards are subject to the Amended Plan. In the event of a conflict between any term or condition contained herein and a term or provision of the Amended Plan, the applicable terms and conditions of the Amended Plan will govern and prevail.

14. AMENDMENTS

The rights and obligations under this Equity Award Agreement and their enforceability are subject to local tax and foreign exchange laws and regulations and, in this sense, the terms and conditions herein may be amended by the sole discretion of the Committee in order to comply with any such laws and regulations.

15. SIGNATURE IN COUNTERPARTS

To the extent that this Equity Award Agreement is manually signed, instead of electronically accepted by you (if permitted by the Company), it may be signed in counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. ADMINISTRATION AND CONSENT

In order to manage compliance with the terms of this Equity Award Agreement, shares delivered pursuant to this Equity Award Agreement may, at the sole discretion of the Company, be registered in the name of the nominee for the holder of the shares and/or held in the custody of a custodian until otherwise determined by the Company. The form of the custody agreement and the identity of the custodian and/or nominee shall be as determined from time to time by the Company in its sole discretion. A holder of shares delivered pursuant to this Equity Award Agreement acknowledges and agrees that the Company may refuse to register the transfer of and enter stop transfer orders against the transfer of such shares except for transfers deemed by it in its sole discretion to be in compliance with the terms of this Equity Award Agreement. The Company reserves the right to impose other requirements to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the RSUs and the Amended Plan. This includes the RSUs, any shares you acquire pursuant to the RSUs and your participation in the Amended Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements, undertakings or additional documents that may be necessary to accomplish the foregoing. You agree to take such other actions as may be deemed reasonably necessary or desirable by the Company to effectuate the provisions of this Equity Award Agreement, as in effect from time to time. As a holder of shares delivered pursuant to this Equity Award Agreement or any prior agreement between you and the Company, you acknowledge and agree that the Company may impose a legend on any document relating to shares issued or issuable pursuant to this Equity Award Agreement conspicuously referencing the restrictions applicable to such shares, and may instruct the administrator of any brokerage account into which shares have been initially deposited to freeze or otherwise prevent the disposition of such shares.

17. ENGLISH LANGUAGE

If you are a resident in a country where English is not an official language, you acknowledge and agree that it is your express intent that this Equity Award Agreement, the Amended Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the grant of RSUs, be drawn up in English. You acknowledge, that if you have received this Equity Award Agreement, the Amended Plan or any other document related to the RSUs translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

18. SECTION 409A – DISABILITY; DEFERRAL ELECTIONS

If you reside in the United States and are subject to income taxation on the income resulting from this Equity Award Agreement under the laws of the United States, and the foregoing provisions of this Equity Award Agreement would result in adverse tax consequences to you, as determined by the Company, under Section 409A of the Code, then the following provisions shall apply and supersede the foregoing provisions:

- a. "Disability" shall mean a disability within the meaning of Section 409A(a)(2)(C) of the Code.
- b. Deferral elections made by United States taxpayers are subject to Section 409A of the Code. The Company will use commercially reasonable efforts to not permit RSUs to be deferred, accelerated, released, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code. In the event that it is reasonably determined by the Company that, as a result of Section 409A of the Code, payments or delivery of the shares underlying the RSUs granted pursuant to this Equity Award Agreement may not be made at the time contemplated by the terms of the Award, as the case may be, without causing you to be subject to taxation under Section 409A of the Code, the Company will make such payment or share delivery as soon as practicable on or following the first date that would not result in you incurring any tax liability under Section 409A of the Code, and in any event, no later than the last day of the calendar year in which such first date occurs or two and half months following the first date in which the first date occurs.
- c. If you are a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code), payments and deliveries of shares in respect of any RSUs subject to Section 409A of the Code that are linked to the date of your separation from service shall not be made prior to the date which is six (6) months after the date of your separation from service from the Company, determined in accordance with Section 409A of the Code and the regulations promulgated thereunder.
- d. The Company shall use commercially reasonable efforts to avoid subjecting you to any additional taxation under Section 409A of the Code as described herein; provided that neither the Company nor any of its employees, agents, directors or representatives shall have any liability to you with respect to Section 409A of the Code.

19. REPATRIATION; COMPLIANCE WITH LAW

If you are resident or employed outside the United States, you agree to repatriate all payments attributable to the shares and/or cash acquired under the Amended Plan in accordance with applicable foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consents to any and all actions taken by the Company, as may be required to allow the Company to comply with local laws, rules and/or regulations in your country of residence (and country of employment, if different). Further, you agree to take any and all actions as may be required to comply with your personal obligations under local laws, rules and/or regulations in your country of residence (and country of employment, if different).

20. INSIDER TRADING / MARKET ABUSE LAWS

By participating in the Amended Plan, you agree to comply with the Company's Insider Trading Policy (Securities Trading Policy). You further acknowledge that you may be subject to local insider trading and/or market abuse laws and regulations that are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your personal responsibility to comply with any applicable restrictions, and that you should consult your personal advisor on this matter.

21. WAIVER

No waiver of any breach or condition of this Equity Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

22. ENTIRE AGREEMENT

This Equity Award Agreement, including the Amended Plan, contains the entire agreement between the parties with respect to the subject matter therein and supersedes all prior oral and written agreement between the parties pertaining to such matters. You acknowledge and agree that this Equity Award Agreement, including the Amended Plan, and all prior RSUs or other equity grant agreements between the Company, on the one hand, and

you, on the other, are separate from, and shall not be modified or superseded in any way by any other agreements, including employment agreements, entered into between you and the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Equity Award Agreement effective as of the Date of Grant set forth in this Equity Award Agreement.

KYNDRYL HOLDINGS, INC.

By:

Maryjo Charbonnier
Chief Human Resources Officer

[IF NOT ELECTRONICALLY ACCEPTED]
PARTICIPANT

Signature

Print Name

Date

Employee ID

Kyndryl
Performance Share Units Equity Award Agreement
Confidential

Plan Amended and Restated Kyndryl 2021 Long-Term Performance Plan (the “Amended Plan”)

Award Type Performance Share Units (PSUs)

Purpose The purpose of this Award is to reward and retain the services of the recipient. You recognize that this Award represents a potentially significant benefit to you and is awarded for the purpose stated here.

Capitalized terms not specifically defined in this Equity Award Agreement have the meanings given to them in the Amended Plan.

Awarded to [Participant Name]

Home Country

Global ID [Employee ID]

Award Agreement This Equity Award Agreement, together with the Amended Plan which is incorporated herein by reference and available at Fidelity, constitute the entire agreement pursuant to Section 22 of this Equity Award Agreement.

Grant

Date of Grant	Business Target	Business Target Weighting	# PSUs Awarded	Performance Period	Date of Payout
	Adjusted Operating Cash Flow	50%			
	Total Signings	25%			
	Relative Total Shareholder Return	25%			

Vesting You can earn the PSUs awarded above based on Kyndryl’s performance in achieving the business targets approved by the Committee and described on Exhibit A during the performance period beginning on _____ and ending on _____ for Adjusted Operating Cash Flow and Total Signings and during the performance period beginning on _____ and ending on _____ for Relative Total Shareholder Return (the “Performance Period”).

Payout of Awards

Subject to Sections 12 and 13 of the Amended Plan and Section 7 of this Equity Award Agreement, on the “Date of Payout” indicated above, the Company shall either (1) deliver to you a number of shares of Common Stock equal to the number of your earned PSUs, or (2) make a cash payment to you equal to the Fair Market Value on the Date of Payout of the number of your earned PSUs at the end of the performance period, except where cash payments are prohibited under local law. The aforementioned payment in shares is not applicable in countries in which the Company has determined that the Awards will be deemed to be paid in cash. In such deemed cash-settled countries, the Company shall make a cash payment equal to the Fair Market Value on the Date of Payout of the number of your earned PSUs at the end of the Performance Period. In either case, the net of any applicable tax withholding, and the respective PSUs shall thereafter be cancelled. Such payment in shares or cash shall be made as soon as practicable following the Date of Payout of the Award, but in all events no later than 2 ½ months following the year in which your Award vests, and will equal the earned portion of the Award, subject to the terms and conditions of the Amended Plan and this Equity Award Agreement.

**Accept Your
Award**

This Award is considered valid when you accept it. By accepting this Award at Fidelity, you agree to be bound by, and agree that the Award is subject in all respects, to the terms of the Amended Plan. This Award may be cancelled unless you accept within ninety (90) days of receipt. By accepting this Award at Fidelity, you acknowledge having received and read this Equity Award Agreement and the Amended Plan under which this Award was granted and you agree (i) not to hedge the economic risk of this Award or any previously-granted outstanding awards, which includes entering into any derivative transaction on Kyndryl securities (*e.g.*, any short sale, put, swap, forward, option, collar, etc.), (ii) to comply with the terms of the Amended Plan, this Equity Award Agreement, including those provisions relating to cancellation, rescission and clawback of awards and jurisdiction and governing law.

Kyndryl
Performance Share Units Equity Award Agreement

Terms and Conditions of Your Award

Pursuant to the Amended Plan, the Company has granted you the Award described in this Equity Award Agreement. This Equity Award Agreement provides you with the terms and conditions of your Award. Your Award is subject to the terms and conditions in the governing Plan document.

As an Award recipient, you can see a personalized summary of all your outstanding equity awards at Kyndryl's Fidelity NetBenefits website. This site contains other information about long-term incentive awards, including copies of the prospectus and the governing Plan document. If you have additional questions and you are based in the U.S. you can contact Fidelity at 800-544-9354, from 5:00 p.m. Sunday through 12:00 a.m. Friday Eastern time. Outside of the U.S. you can use the Fidelity Guide to choose the local Fidelity number for your country.

1. DEFINITION OF TERMS

Defined Terms. Capitalized terms not specifically defined herein shall have the meanings given to them in the Amended Plan. For purposes of this Equity Award Agreement:

- a. "Awards" means grant of any form of stock option, stock or cash award, whether granted singly, in combination or in tandem, to a Participant pursuant to such terms, conditions, performance requirements, limitations and restrictions as the Committee may establish in order to fulfill the objectives of the Amended Plan.
- b. "Board" means the Board of Directors of Kyndryl.
- c. "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- d. "Common Stock" means authorized and issued or unissued Common Stock of Kyndryl, at such par value as may be established from time to time.
- e. "Committee" means the committee designated by the Board to administer the Amended Plan.
- f. "Company" means Kyndryl and its affiliates and subsidiaries including subsidiaries of subsidiaries and partnerships and other business ventures in which Kyndryl has an equity interest.
- g. "Engage in or Associate with" means and includes, without limitation, engagement or association as a sole proprietor, owner, employer, director, partner, principal, joint venture, associate, employee, member, consultant, or contractor. This also includes engagement or association as a shareholder or investor during the course of your employment with the Company, and includes beneficial ownership of five percent (5%) or more of any class of outstanding stock of a competitor of the Company following the termination of your employment with the Company.
- h. "Equity Award Agreement" means this Agreement which provides the participant's grant details.
- i. "Fair Market Value" means the average of the high and low prices of Common Stock on the New York Stock Exchange for the date in question, provided that, if no sales of Common Stock were made on said exchange on that date, the average of the high and low prices of Common Stock as reported for the most recent preceding day on which sales of Common Stock were made on said exchange. Fair Market Value will be converted to the Participant's home currency at the exchange rate on the applicable Date of Payout using a commercially reasonable measure of exchange rate.
- j. "Kyndryl" means Kyndryl Holdings, Inc.

- k. “Participant” means an individual to whom an Award has been made under the Amended Plan. Awards may be made to any employee of, or any other individual providing services to, the Company.
- l. “Plan” or “Amended Plan” means the Amended and Restated Kyndryl 2021 Long-Term Performance Plan, effective July 27, 2023.
- m. “PSU” means Performance Share Units under your Award.
- n. “Spin-Off” means the distribution of shares of Common Stock to the stockholders of International Business Machines Corporation in 2021 pursuant to the Separation and Distribution Agreement and the Employee Matters Agreement between the Company and International Business Machines Corporation entered into in connection with such distribution.
- o. “Termination of Employment” means for the purposes of determining when you cease to be an employee for the cancellation of any Award, a Participant will be deemed to be terminated if the Participant is no longer employed by Kyndryl or a subsidiary corporation that employed the Participant when the Award was granted unless approved by a method designated by those administering the Amended Plan.

2. NATURE OF GRANT

In accepting the grant, you acknowledge, understand and agree to all of the following:

- a. the Amended Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company in accordance with its terms for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law;
- b. you are voluntarily participating in the Amended Plan;
- c. the grant of the Award is voluntary and a one-time benefit and does not create any contractual or other right to receive future grants (whether on the same or different terms), or benefits in lieu of Awards, even if an award has been granted in the past;
- d. all decisions with respect to future grants, if any, will be at the discretion of the Committee, including, but not limited to, the form and timing of the grant, the number of units subject to the grant, and the vesting provisions applicable to the grant;
- e. the grant and your participation in the Amended Plan shall not create a right to employment or be interpreted as forming an employment or services contract with the Company and shall not interfere with the ability of the Company to terminate your employment or service relationship;
- f. shares (or cash) will be issued to you only if the vesting conditions are met and any necessary services are rendered by you over the vesting period;
- g. the PSUs and the shares (or cash) subject to the PSUs are not intended to replace any pension rights or compensation, if applicable;
- h. the PSUs and the shares subject to the PSUs, and the income and value thereof, are an extraordinary item of compensation outside the scope of your employment (and employment contract, if any) and is not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- i. the future value of the shares underlying the PSUs is unknown, indeterminable and cannot be predicted with certainty;

- j. no claim or entitlement to compensation or damages shall arise from forfeiture of PSUs resulting from your ceasing to be employed or otherwise providing services to the Company;
- k. unless otherwise provided herein, in the Amended Plan or by the Company in its discretion, the PSUs and the benefits evidenced by this Equity Award Agreement do not create any entitlement to have the PSUs or any similar benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Kyndryl; and
- l. if you reside or are employed outside of the United States, you acknowledge and agree that the Company shall not be liable for any exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the PSUs or of any amounts due to you pursuant to the settlement of the PSUs or the subsequent sale of any shares acquired upon settlement.

3. NON-SOLICITATION

- a. In consideration of your Award, you agree that during your employment with the Company and for one year following the termination of your employment for any reason, you will not directly or indirectly, or in any capacity on your behalf or on behalf of any other individual, firm, association, partnership, corporation, or other business entity, (i) hire, solicit, or make an offer to; or (ii) attempt to or participate or assist in any effort to hire, solicit, or make an offer to any Restricted Employee to be employed or to perform services outside of the Company. For the purposes of this Paragraph, a “Restricted Employee” is any person (i) who is an employee of the Company at the time of any conduct by you referenced in the preceding sentence, or (ii) who was an employee of the Company at any time in the twelve (12) month period immediately preceding any conduct by you referenced in the preceding sentence.
- b. You also agree that during your employment with the Company and for one year following the termination of your employment for any reason, you will not directly or indirectly, or in any capacity on your behalf or on behalf of any other individual, firm, association, partnership, corporation, or other business entity (i) solicit, for business purposes, any Restricted Customer of the Company; (ii) induce or attempt to induce any Restricted Customer to reduce, eliminate, or terminate its business with the Company; or (iii) divert or attempt to divert any business from a Restricted Customer to any entity that engages in, or owns or controls an interest in any entity that engages in, competition with any business unit or division of the Company in which you worked at any time during the three (3) year period prior to the termination of your employment with the Company. For the purposes of this Paragraph, “Restricted Customer” means any actual or prospective customer of the Company which you were directly or indirectly involved with, or exposed to confidential information about, as part of your job responsibilities during the last twelve (12) months of your employment with the Company. The term “Restricted Customer” shall not include any customer with whom you had a pre-existing relationship prior to becoming employed by the Company.
- c. By accepting your Award, you acknowledge that the Company would suffer irreparable harm if you fail to comply with the foregoing, and that the Company would be entitled to any appropriate relief, including money damages, equitable relief and attorneys’ fees.

The above non-solicitation provisions do not apply to you if your home country is in Latin America, specifically: Argentina, Bolivia, Brazil, Chile, Columbia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, or where explicitly stated otherwise in this Equity Award Agreement.

4. CANCELLATION AND RESCISSION

- a. You understand that the Company may cancel, modify, rescind, suspend, withhold or otherwise limit or restrict this Award in accordance with the terms of the Amended Plan, including without limitation, any policy and/or procedures established by the Committee as required by law, including, but not limited to Section 10D of the Securities Exchange Act of 1934 and any rules promulgated thereunder and any other regulatory regimes. Further, Awards granted under the Amended Plan will be subject to clawback, forfeiture, recoupment, or similar requirements (and such requirements shall be deemed incorporated by reference into all outstanding Equity Award Agreements), including on a retroactive basis, in accordance

with any clawback policy that the Company maintains, adopts or is required to adopt pursuant to listing standards of any national securities exchange or association on which the Company's securities are listed or another applicable law, including, but not limited to, the Company's Clawback Policy, as in effect from time to time.

- b. All determinations regarding enforcement, waiver or modification of the cancellation, rescission, clawback, and other provisions of the Amended Plan and this Equity Award Agreement (including the provisions relating to Termination of Employment, death and disability) shall be made in the Company's sole discretion. Determinations made under this Equity Award Agreement and the Amended Plan need not be uniform and may be made selectively among individuals, whether or not such individuals are similarly situated.
- c. You agree that the cancellation, rescission and clawback provisions of the Amended Plan and this Equity Award Agreement are reasonable and agree not to challenge the reasonableness of such provisions, even where forfeiture of your Award is the penalty for violation. Engaging in Detrimental Activity (as defined in the Amended Plan) during employment or after your employment relationship has ended may result in cancellation, rescission or clawback of your Award.
- d. The cancellation, rescission and clawback provisions of the Amended Plan may be triggered by your acceptance of an offer to Engage in or Associate with any business which is or becomes competitive with the Company, or your engagement in competitive activities for one year after your employment relationship with the Company has ended if: (i) on or prior to the date of grant stated in this Equity Award Agreement you have entered into a Noncompetition Agreement with the Company or an affiliate (including, for this purpose, with IBM Corporation or an IBM affiliate prior to the Spin-Off), as applicable; or (ii) the Award is a Retention Restricted Stock Unit Award. Notwithstanding the above, the cancellation, rescission and clawback provisions of the Amended Plan will apply to all Awards if during your employment with the Company you engage in any Detrimental Activity, including competitive activities, described in Section 13(a) of the Amended Plan. However, the clawback period in this Section 4 shall not apply to Section 13(a)(i) of the Amended Plan. For purposes of Section 13(a)(i) of the Amended Plan, the Company may cancel, modify, rescind, suspend, withhold or otherwise limit or restrict this Award for a period of twelve (12) months.
- e. For the avoidance of doubt: (a) all other cancellation, rescission and clawback provisions of the Amended Plan will apply to all Awards if after your employment relationship has ended with the Company but during the clawback period you engage in any Detrimental Activity described in Section 13(a) (excluding Section 13(a)(i)) of the Amended Plan; and (b) the cancellation, rescission and clawback provisions of the Amended Plan will apply to all Awards if during your employment with the Company you engage in any Detrimental Activity, including competitive activities, described in Section 13(a) of the Amended Plan.

5. GOVERNING LAW AND ADMINISTRATION

This Equity Award Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its conflict of law rules. You agree that any action or proceeding with respect to your Equity Award Agreement shall be brought exclusively in the state and federal courts sitting in New York County or Westchester County, New York. You agree to the personal jurisdiction thereof, and irrevocably waive any objection to the venue of such action, including any objection that the action has been brought in an inconvenient forum.

If any court of competent jurisdiction finds any provision of this Equity Award Agreement, or portion thereof, to be unenforceable, that provision shall be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Equity Award Agreement shall continue in full force and effect.

If you or the Company brings an action to enforce this Equity Award Agreement and the Company prevails, you will pay all costs and expenses incurred by the Company in connection with that action and in connection with collection, including reasonable attorneys' fees.

If the vendor engaged to administer the Amended Plan changes, you consent to moving all of the shares you have received under the Amended Plan that is in an account with such vendor (including unvested and previously vested shares), to the new vendor to administer the Amended Plan. Such consent will remain in effect unless and until revoked in writing by you.

6. DATA PRIVACY, ELECTRONIC DELIVERY, ELECTRONIC SIGNATURE

By accepting this Award, you agree that data, including your personal data, necessary to administer this Award may be exchanged among the Company as necessary, and with any vendor engaged by the Company to administer this Award, subject to this Equity Award Agreement; you also consent to receiving information and materials in connection with this Award or any subsequent awards under Kyndryl's long-term performance plans, including without limitation any prospectuses and plan documents, by any means of electronic delivery available now and/or in the future (including without limitation by e-mail, by vendor Website access and/or by facsimile), such consent to remain in effect unless and until revoked in writing by you.

- a. By participating in the Amended Plan or accepting any rights granted under it, you consent to and authorize the collection, processing and transfer by the Company of personal data relating to you by the Company for the purposes of fulfilling its obligations and exercising its rights under the Amended Plan, statements and communications relating to the Amended Plan and generally administering and managing the Amended Plan, including keeping records of analysis of and reporting on participation levels and other information about the Amended Plan from time to time. Any such processing shall be in accordance with the purposes and provisions of this data privacy provision. Such consent will remain in effect unless and until revoked in writing by you.

This includes the following categories of data ("Data"):

- i. Data already held in the Company's records for you such as your name and address, employee number, payroll number (if applicable), service dates and whether you work full-time or part-time;
 - ii. Data collected upon you accepting the rights granted under Plan (if applicable); and
 - iii. Data subsequently collected by the Company in relation to your continued participation in the Amended Plan, for example, data about shares offered or received, purchased or sold under the Amended Plan from time to time and other appropriate financial and other data about you and your participation in the Amended Plan (*e.g.*, the date on which shares were granted, your termination of employment and the reasons of termination of employment or retirement).
- b. You expressly consent to the transfer of personal data about you as described in paragraph (a) above by the Company. Data may be transferred not only within the country in which you are based from time to time or within the EU or the European Economic Area ("EEA"), but also worldwide, to other employees and officers of the Company and to the following third parties for the purposes described in paragraph (a) above:
 - i. Plan administrators, auditors, brokers, suppliers, agents and contractors of, and third party service providers, vendor Website Access and/or facsimile to, the Company;
 - ii. regulators, tax authorities, stock or security exchanges and other supervisory, regulatory, governmental or public bodies as required by law or otherwise deemed necessary by the Company;
 - iii. other third parties to whom the Company may need to communicate/transfer the data in connection with the administration of the Amended Plan, under a duty of confidentiality to the Company; and

- iv. Your family members, heirs, legatees and others associated with you in connection with the Amended Plan.

The Company has internal policies to ensure an equivalent level of protection is in place across the Company's worldwide organization.

You have the right to be informed whether the Company holds personal data about you and, to the extent the Company does so, to have access to those personal data at no charge and require the Company to correct the data if it is inaccurate and to request the erasure, request the restriction of processing or object to the processing and withdraw your consent. You are entitled to all the other rights provided by application data privacy law, including those detailed in any applicable documentation or guidelines provided to you by the Company in the past. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Amended Plan (and may result in the forfeiture of unvested Awards).

7. TERMINATION OF EMPLOYMENT, INCLUDING DEATH AND DISABILITY, AND LEAVE OF ABSENCE

A. Termination of Employment and Leave of Absence

In the event you cease to be an employee of the Company for any reason (other than on account of death or disability as described in Section 12 of the Amended Plan) prior to the Date of Payout (in the case of a recipient in the United States, at year end of the applicable PSU Performance Period), all PSUs are canceled and forfeited, with no further amount payable thereafter.

However, if at the time that you cease to be an active employee (provided you are not terminated for cause), you have attained age fifty-five (55), completed at least ten (10) years of service with the Company, and completed at least one (1) year of active service with the Company measured from the PSU date of grant (as set forth in this Equity Award Agreement), the PSUs granted hereunder shall be paid out on the Date of Payout (as set forth in this Equity Award Agreement) in an amount that will be prorated for the time that you work as an active executive during the PSU Performance Period, and adjusted for the performance score determined for the entire applicable performance period(s).

B. Death or Disability

Prior to the Date of Payout, (i) in the event of your death or (ii) if you are disabled (as described in Section 12 of the Amended Plan), all PSUs shall continue to vest according to the terms of your Award and the PSUs will be paid on the Date of Payout, based on Company performance, if applicable, over the entire applicable Performance Period(s).

C. Prior IBM Service

Employees who were transferred to the Company in connection with the Spin-Off will have prior service with International Business Machines Corporation (IBM) (as reflected in the Company's system of record) counted as if it were service with the Company for purposes of determining years of service under your Award.

8. COUNTRY SPECIFIC TERMS AND CONDITIONS

A. Argentina

English Language Consent

You confirm that you have read and understood the terms and conditions of the Amended Plan and this Equity Award Agreement, which were provided in English. You accept and consent to the terms of the documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, being drawn up in English.

B. Canada

Form of Settlement

Notwithstanding any discretion contained in the Amended Plan or this Equity Award Agreement, the PSUs will be settled only in shares. The PSUs do not provide any right for you to receive a cash payment in settlement of the PSUs.

Nature of Grant

Notwithstanding any provision of the Equity Award Agreement to the contrary, in the event your employment is terminated (whether or not later found to be invalid or unlawful for any reason, including for breaching either applicable employment laws or your employment agreement, if any) your right to vest in the PSUs under the Amended Plan, if any, will terminate effective on the earliest of: (a) the date that your employment with the Company is terminated; and (b) the date that you receive notice of termination of your employment with the Company, regardless of any notice period, period of pay in lieu of such notice or related payments or damages provided or required to be provided under applicable employment law in the jurisdiction where you are employed or the terms of your employment agreement, if any. You will not earn or be entitled to any pro-rated vesting for that portion of time before the date on which your right to vest terminates, nor will you be entitled to any compensation for lost vesting. Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, your right to vest in the PSUs under the Amended Plan, if any, will terminate effective as of the last day of your minimum statutory notice period, but you will not earn or be you Participant be entitled to any compensation for lost vesting. This does not affect your eligibility for continued vesting under Section 7.

The following terms and conditions apply if you reside in Quebec:

The parties acknowledge that it is their express wish that this Equity Award Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

C. Denmark

Non-Solicitation

The following non-solicitation clause will replace the above-non-solicitation provision for individuals with the home country of Denmark:

In consideration of your Award, you agree that during your employment with the Company, you will not directly or indirectly, solicit, for competitive business purposes, any customer of the Company. By accepting your Award, you acknowledge that the Company would suffer irreparable harm if you fail to comply with the foregoing, and that the Company would be entitled to any appropriate relief, including money damages, equitable relief and attorneys' fees.

D. France

English Language Consent

In addition to the English language provisions below, by accepting the grant of PSUs, you confirm having read and understood the Amended Plan and this Equity Award Agreement which were provided in English. You accept the terms and conditions of those documents accordingly.

E. Hong Kong

Settlement of Vested PSUs

The following provision supplements Section 9 (Payment of PSU Awards) of this Equity Award Agreement:

Notwithstanding any discretion set forth in the Amended Plan or this Equity Award Agreement, the PSUs will be settled only in shares. The PSUs do not provide any right for you to receive a cash payment in settlement of the PSUs.

Any shares received by you upon settlement of the PSUs are accepted by you as a personal investment. If, for any reason, the PSUs vest and become non-forfeitable and shares are issued or transferred to you within six (6) months after the PSU grant, you agree that you will not offer the shares to the public in Hong Kong or otherwise dispose of any such shares prior to the six (6) month anniversary of the PSU grant date.

F. Israel

Data Privacy Provisions

In addition to the data privacy provisions above, you agree that data, including your personal data, necessary to administer this Award may be exchanged among the Company as necessary (including transferring such data out of the country of origin both in and out of the EEA), and with any vendor engaged by Kyndryl to administer this Award.

G. Mexico

Labor Law Acknowledgement and Policy Statement

By accepting the PSUs, you acknowledge that the Company, is solely responsible for the administration of the Amended Plan. You further acknowledge that your participation in the Amended Plan, the grant of PSUs and any acquisition of shares under the Amended Plan does not constitute an employment relationship between you and the Company because you are participating in the Amended Plan on a wholly commercial basis. Based on the foregoing, you expressly acknowledge that the Amended Plan and the benefits that you may derive from participation in the Amended Plan do not establish any rights between you and the Company, and do not form part of the employment conditions and or benefits provided by the Company, and any modification of the Amended Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment.

You further understand that your participation in the Amended Plan is as a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue your participation at any time without any liability to you.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Amended Plan or the benefits derived under the Amended Plan, and you therefore grant a full and broad release to the Company, branches, representative offices, shareholders, directors, officers, employees, agents, or legal representatives with respect to any claim that may arise.

Securities

You acknowledge that the PSUs, this Equity Award Agreement, the Amended Plan and all other materials that you may receive regarding participation in the Amended Plan do not constitute advertising or an offering of securities in Mexico. The shares acquired pursuant to the Amended Plan have not and will not be registered in Mexico and therefore, neither the PSUs nor the shares may be offered or publicly circulated in Mexico.

H. Portugal

English Language Consent

You hereby expressly declare that you have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Amended Plan and this Equity Award Agreement.

I. Spain

Labor Law Acknowledgment

This provision supplements the acknowledgements contained in Section 2 (Nature of Grant) of this Equity Award Agreement:

In accepting the grant of PSUs, you consent to participation in the Amended Plan and acknowledge that you have received a copy of the Amended Plan.

You understand that the Company has unilaterally, gratuitously and in its own discretion decided to grant PSUs under the Amended Plan to certain individuals who may be employees of the Company. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company, other than as set forth in this Equity Award Agreement. Consequently, you understand that the PSUs are granted on the assumption and condition that the PSUs and any shares acquired upon settlement of the PSUs are not a part of any employment contract (with the Company) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation), or any other right whatsoever. Further, you understand that the PSUs would not be granted to you but for the assumptions and conditions referred to above; thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken, or should any of the conditions not be met for any reason, any grant of or right to the PSUs shall be null and void.

J. United Kingdom

Responsibility for Tax-Related Items

Without limitation to Section 12 of this Equity Award Agreement, you hereby agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or by Fidelity (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to Fidelity (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the Securities Exchange Act of 1934), the terms of the immediately foregoing provision will not apply.

K. United States

Trade Secrets

Nothing in the Amended Plan, prospectus, or this Equity Award Agreement affects your rights, immunities, or obligations under any federal, state, or local law, including under the Defend Trade Secrets Act of 2016 (DTSA), as described in Company policies, or prohibits you from reporting possible violations of law or regulation to a government agency, as protected by law. In accordance with the DTSA, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret if the disclosure (i) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose trade secrets to your attorney and use the trade secret information in such court proceeding, provided that you (i) file any document containing the trade secret under seal, and (ii) do not disclose the trade secret, except pursuant to court order.

You acknowledge that you have been advised by Kyndryl to consult with counsel of your choosing concerning the contents of this Equity Award Agreement.

Cancellation, Rescission and Clawback

For the avoidance of doubt, unless further prohibited by law, the cancellation and rescission provisions of the Amended Plan will apply if you engage in (1) any Detrimental Activity as described in Section 13(a) of the Amended Plan prior to your employment relationship ending with the Company or (2) any Detrimental Activity described in Section 13(a) of the Amended Plan other than engaging in competitive activities after your employment relationship has ended with the Company, as described in Section 13(a)(i) of the Amended Plan.

The cancellation, rescission and clawback provisions of the Amended Plan that apply if you engage in Detrimental Activity, as described in Section 13(a)(i) of the Amended Plan during your employment with the Company, constitute “non-competition restrictions” which may affect your ability to obtain future employment. The cancellation and rescission provisions of the Amended Plan that apply if you engage in Detrimental Activity, as described in Section 13(a)(vi) of the Amended Plan during or after your employment with the Company, as well as the restrictions in Section 3 of this Equity Award Agreement, constitute “non-solicitation restrictions.” By accepting this Award, you acknowledge that this Equity Award Agreement specifies valuable, mutually agreed, independent consideration (in the form of stock grants and/or long-term cash awards) for the non-competition and non-solicitation restrictions contained in this Equity Award Agreement, and that the non-solicitation restrictions referenced in this Equity Award Agreement are supported by valuable, mutually-agreed, independent consideration to which you are not otherwise entitled.

If you reside in or work from an office in Colorado, District of Columbia, or Illinois, you may consider this Equity Award Agreement for up to fourteen (14) days prior to signing it. If you reside in or work from an office in Massachusetts, this Equity Award Agreement will take effect no sooner than ten (10) business days after if it is signed by both you and the Company.

Nothing in this Section 8 is intended to supersede or modify the New York choice-of-law provision in Section 5 of this Equity Award Agreement, except with respect to the enforceability of the noncompetition and non-solicitation restrictions, and then only to the extent you work in a state with a statute that provides solely for the law of that particular state to apply, and have worked in that state in the thirty (30) days prior to your execution of this Equity Award Agreement.

9. PAYMENT OF PSU AWARDS

Subject to Sections 12 and 13 of the Amended Plan and Section 7 of this Equity Award Agreement, on the Date of Payout above, the Company shall (1) deliver to you a number of shares of Common Stock equal to the number of your vested and earned PSUs, or (2) make a cash payment to you equal to the Fair Market Value on the Date of Payout of the number of your vested and earned PSUs at the end of the performance period, except where cash payment is prohibited under local law. The aforementioned payment in shares is not applicable in countries in which the Company has determined that the Awards will be deemed to be paid in cash. In such deemed cash-settled countries, the Company shall make a cash payment equal to the Fair Market Value on the Date of Payout of the number of your vested and earned PSUs at the end of the Performance Period. In either case, the net of any applicable tax withholding, and the respective PSUs shall thereafter be cancelled. Such payment in shares or cash shall be made as soon as practicable following the Date of Payout of the Award, but in all events no later than 2 ½ months following the year in which your Award vests, and will equal the earned portion of the Award, subject to the terms and conditions of the Amended Plan and this Equity Award Agreement.

10. TRANSFERABILITY

You may not transfer or assign, pledge, pay to, exercise or otherwise encumber any PSUs under this Equity Award Agreement prior to the Date of Payout by anyone other than you, except by law, will or the laws of descent and distribution. Notwithstanding the foregoing, in no event shall PSUs be transferable or assignable other than by will or by the laws of descent and distribution.

Any shares issued or transferred, if applicable, shall be subject to your compliance with policies as the Committee or the Company may deem advisable from time to time, including without limitation, any policies relating to certain minimum share ownership requirements, including, but not limited to, the Company’s Stock Ownership Guidelines, if applicable. Such policies shall be binding upon the permitted respective legatees, legal representatives, successors

and your assignees. The Company shall give notice of any such additional or modified terms and restrictions applicable to shares delivered or deliverable under this Equity Award Agreement to the holder of the PSUs and/or the shares so delivered, as appropriate, pursuant to the provisions of Section 11 or, if a valid address does not appear to exist in the Company system of record, to the last address known by the Company of such holder. Notice of any such changes may be provided electronically, including, without limitation, by publication of such changes to a central website to which any holder of the PSUs or shares issued therefrom has access.

11. NOTICES

Any notice to be given under this Equity Award Agreement shall be addressed to the Company in care of its Chief Human Resources Officer at:

Kyndryl, Inc.
1 Vanderbilt Avenue, 15th Floor
New York, NY 10017
USA
Attn: Chief Human Resources Officer

(or, if different, the then-current principal business address of the duly appointed Chief Human Resources Officer of the Company) and to you at the address appearing in the Company's records for you or to either party at such other address as either party may hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

12. TAX WITHHOLDING

- a. Regardless of any action the Company takes with respect to any and all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, fringe benefit, payment on account or other tax-related withholding that in the opinion of the Company is required by law ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Awards, including the grant of the Awards, the vesting of Awards, the delivery or sale of any shares or cash acquired pursuant to the Awards and the issuance of any dividends, if applicable, and (ii) will make every attempt to, but does not commit to structure the terms of the grant of any aspect of Awards to reduce or eliminate your liability for Tax-Related Items.
- b. To the extent that the grant or vesting of Awards, the delivery of shares or cash pursuant to the PSUs or the issuance of dividends, if applicable, results in a withholding obligation for Tax-Related Items, unless otherwise specifically approved and directed by the Committee, you authorize the Company or agent of the Company to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:
 - (i) withholding from your wages or other cash compensation paid to you by the Company;
 - (ii) withholding from proceeds of the sale of shares acquired upon settlement of Awards either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); or
 - (iii) withholding from the shares to be delivered upon settlement of Awards that number of shares having a Fair Market Value equal to the amount required by law to be withheld. If you are subject to taxation in more than one jurisdiction, you acknowledge that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
- c. You agree to pay to the Company any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of your participation in the Amended Plan that cannot be satisfied by the means previously described. The Company may delay issue or deliver the shares, cash or the proceeds of the sale of shares until such time arrangements have been made to ensure the remittance of all taxes due from you in connection with Tax-Related Items if you fail to comply with such Tax-Related Items.

- d. You hereby acknowledge that you will not be entitled to any interest or appreciation on shares sold to satisfy the tax withholding requirements (including with respect to any amounts withheld in excess of your tax liability).

13. PSUs SUBJECT TO THE PLAN

By entering into this Equity Award Agreement, you agree and acknowledge that you have received and read a copy of the Amended Plan. All PSUs are subject to the Amended Plan. In the event of a conflict between any term or condition contained herein and a term or provision of the Amended Plan, the applicable terms and conditions of the Amended Plan will govern and prevail.

14. AMENDMENTS

The rights and obligations under this Equity Award Agreement and their enforceability are subject to local tax and foreign exchange laws and regulations and, in this sense, the terms and conditions herein may be amended by the sole discretion of the Board in order to comply with any such laws and regulations.

15. SIGNATURE IN COUNTERPARTS

To the extent that this Equity Award Agreement is manually signed, instead of electronically accepted by you (if permitted by the Company), it may be signed in counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. ADMINISTRATION AND CONSENT

In order to manage compliance with the terms of this Equity Award Agreement, shares delivered pursuant to this Equity Award Agreement may, at the sole discretion of the Company, be registered in the name of the nominee for the holder of the shares and/or held in the custody of a custodian until otherwise determined by the Company. The form of the custody agreement and the identity of the custodian and/or nominee shall be as determined from time to time by the Company in its sole discretion. A holder of shares delivered pursuant to this Equity Award Agreement acknowledges and agrees that the Company may refuse to register the transfer of and enter stop transfer orders against the transfer of such shares except for transfers deemed by it in its sole discretion to be in compliance with the terms of this Equity Award Agreement. The Company reserves the right to impose other requirements to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the PSUs and the Amended Plan. This includes the PSUs, any shares you acquire pursuant to the PSUs and your participation in the Amended Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements, undertakings or additional documents that may be necessary to accomplish the foregoing. You agree to take such other actions as may be deemed reasonably necessary or desirable by the Company to effectuate the provisions of this Equity Award Agreement, as in effect from time to time. As a holder of shares delivered pursuant to this Equity Award Agreement or any prior agreement between you and the Company, you acknowledge and agree that the Company may impose a legend on any document relating to shares issued or issuable pursuant to this Equity Award Agreement conspicuously referencing the restrictions applicable to such shares, and may instruct the administrator of any brokerage account into which shares have been initially deposited to freeze or otherwise prevent the disposition of such shares.

17. ENGLISH LANGUAGE

If you are a resident in a country where English is not an official language, you acknowledge and agree that it is your express intent that this Equity Award Agreement, the Amended Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the grant of PSUs, be drawn up in English. You acknowledge that if have received this Equity Award Agreement, the Amended Plan or any other document related to the PSUs translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

18. SECTION 409A – DISABILITY; DEFERRAL ELECTIONS

If you reside in the United States and are subject to income taxation on the income resulting from this Equity Award Agreement under the laws of the United States, and the foregoing provisions of this Equity Award Agreement would result in adverse tax consequences to you, as determined by the Company, under Section 409A of the Code, then the following provisions shall apply and supersede the foregoing provisions:

- a. “Disability” shall mean a disability within the meaning of Section 409A(a)(2)(C) of the Code.
- b. Deferral elections made by United States taxpayers are subject to Section 409A of the Code. The Company will use commercially reasonable efforts to not permit PSUs to be deferred, accelerated, released, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code. In the event that it is reasonably determined by the Company that, as a result of Section 409A of the Code, payments or delivery of the shares underlying the PSU award granted pursuant to this Equity Award Agreement may not be made at the time contemplated by the terms of the Awards, as the case may be, without causing you to be subject to taxation under Section 409A of the Code, the Company will make such payment or share delivery as soon as practicable on or following the first date that would not result in you incurring any tax liability under Section 409A of the Code, and in any event, no later than the last day of the calendar year in which such first date occurs or two and half months following the first date in which the first date occurs.
- c. If you are a “specified employee” (within the meaning of Section 409A(a)(2)(B)(i) of the Code), payments and deliveries of shares in respect of any PSUs subject to Section 409A of the Code that are linked to the date of your separation from service shall not be made prior to the date which is six (6) months after the date of your separation from service from the Company, determined in accordance with Section 409A of the Code and the regulations promulgated thereunder.
- d. The Company shall use commercially reasonable efforts to avoid subjecting you to any additional taxation under Section 409A of the Code as described herein; provided that neither the Company nor any of its employees, agents, directors or representatives shall have any liability to you with respect to Section 409A of the Code.

19. REPATRIATION; COMPLIANCE WITH LAW

If you are resident or employed outside the United States, you agree to repatriate all payments attributable to the shares and/or cash acquired under the Amended Plan in accordance with applicable foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by the Company, as may be required to allow the Company to comply with local laws, rules and/or regulations in your country of residence (and country of employment, if different). Further, you agree to take any and all actions as may be required to comply with your personal obligations under local laws, rules and/or regulations in your country of residence (and country of employment, if different).

20. INSIDER TRADING / MARKET ABUSE LAWS

By participating in the Amended Plan, you agree to comply with the Company’s Insider Trading Policy (Securities Trading Policy). You further acknowledge that you may be subject to local insider trading and/or market abuse laws and regulations that are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your personal responsibility to comply with any applicable restrictions, and that you should consult your personal advisor on this matter.

21. WAIVER

No waiver of any breach or condition of this Equity Award Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

22. ENTIRE AGREEMENT

This Equity Award Agreement, including the Amended Plan as , contains the entire agreement between the parties with respect to the subject matter therein and supersedes all prior oral and written agreement between the parties pertaining to such matters. You acknowledge and agree that this Equity Award Agreement, including the Amended Plan, and all prior PSUs or other equity grant agreements between the Company, on the one hand, and you, on the other, are separate from, and shall not be modified or superseded in any way by any other agreements, including employment agreements, entered into between you and the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Long-Term Cash Award Agreement effective as of the Date of Grant set forth in this Long-Term Cash Award Agreement.

KYNDRYL HOLDINGS, INC.

By:

Maryjo Charbonnier
Chief Human Resources Officer

[IF NOT ELECTRONICALLY ACCEPTED]

PARTICIPANT

Signature

Print Name

Date

Employee ID

**Amendment 3 to the
Kyndryl Executive Severance Plan
and Executive Retirement Policy**

The following amendments to the Kyndryl Executive Severance Plan and Executive Retirement Policy are effective for terminations of employment occurring on or after October 26, 2023.

1. Article 3 (“Severance Benefits”) is amended by adding a new subheading “Financial Advisory Services” immediately following the existing text under the subheading “Medical Premiums” and immediately prior to the heading “Non-Duplication of Benefits,” to read as follows:

Financial Advisory Services

Executives classified in Bands B or above are eligible for financial advisory services during their employment from a provider chosen by Kyndryl. In addition to the cash Severance Benefits described above, if you are an Executive classified in Band B or above receiving Severance Benefits, these financial advisory services are available to you for six months following your termination of employment. If elected, this financial advisory benefit will be subject to imputed income.

2. Article 3 (“Severance Benefits”) is further amended by adding a new heading “Clawback Policy” at the end thereof, to read as follows:

Clawback Policy

Severance Benefits payable under the Plan that constitute incentive compensation shall be subject to clawback, forfeiture, recoupment, or similar requirements (and such requirements shall be deemed incorporated by reference), including on a retroactive basis, in accordance with any clawback policy that the Company maintains, adopts, or is required to adopt pursuant to any national securities exchange or association on which the Company’s securities are listed or another applicable law, including, but not limited to, the Kyndryl Clawback Policy and the Kyndryl Financial Statement Clawback Policy, as in effect from time to time.

3. Appendix (“Executive Retirement Policy”) is amended by adding a new paragraph immediately prior to the last paragraph, to be read as follows:

Executives classified in Bands B or above are eligible for financial advisory services during their employment from a provider chosen by Kyndryl. In addition to the continued equity award vesting under the Executive Retirement Policy upon retirement, if you are an Executive classified in Bands B or above, these financial advisory services are available to you for six months following your termination of employment. If elected, this financial advisory benefit will be subject to imputed income.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Martin J. Schroeter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kyndryl Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ Martin J. Schroeter

Martin J. Schroeter

Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, David B. Wyshner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kyndryl Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ David B. Wyshner

David B. Wyshner
Chief Financial Officer
(Principal Financial Officer)

KYNDRYL HOLDINGS, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kyndryl Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin J. Schroeter, Chairman and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023

/s/ Martin J. Schroeter

Martin J. Schroeter
Chairman and Chief Executive Officer
(Principal Executive Officer)

KYNDRYL HOLDINGS, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kyndryl Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David B. Wyshner, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023

/s/ David B. Wyshner

David B. Wyshner

Chief Financial Officer

(Principal Financial Officer)
