



**PayPal Holdings, Inc.**

**2211 North First Street  
San Jose, California 95131  
United States**

**Prospectus for the public offer**

**of 52,964,978 shares of PayPal Holdings, Inc. common stock  
each with a par value of \$0.0001  
under the**

**PayPal Holdings, Inc.**

**Amended and Restated Employee Stock Purchase Plan**

**to the employees of certain European Economic Area (“EEA”) subsidiaries of PayPal Holdings, Inc.**

**March 21, 2019**

**International Securities Identification Number (ISIN) US70450Y1038  
German Securities Code Number (Wertpapier-Kenn-Nummer) A14R7U  
CUSIP Number: 70450Y 10 3**

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## PROSPEKTZUSAMMENFASSUNG

### Hinweis an den Leser

Zusammenfassungen bestehen aus verschiedenen Offenlegungselementen, die als „Angaben“ bezeichnet werden. Diese Angaben sind unten in den Abschnitten A – E enthalten (A.1 – E.7).

Diese Zusammenfassung enthält alle Angaben, die in einer Zusammenfassung für die angebotene Art von Wertpapieren und diesen Emittenten erforderlich sind. Da bestimmte Angaben in der Zusammenfassung nicht enthalten sein müssen, können in der Nummerierung der Angaben Lücken auftreten.

Es kann vorkommen, dass im Hinblick auf eine bestimmte Angabe keine relevanten Informationen zur Verfügung gestellt werden können, obwohl die entsprechenden Informationen aufgrund der Art der angebotenen Wertpapiere und des Emittenten eigentlich zwingend in die Zusammenfassung aufzunehmen sind. In einem solchen Fall ist in der Zusammenfassung eine kurze Umschreibung der Angabe enthalten und mit der Bezeichnung „entfällt“ kenntlich gemacht.

<b>Abschnitt A – Einleitung und Warnhinweise</b>		
<b>A.1</b>	<b>Einleitung und Warnhinweise</b>	Diese Zusammenfassung sollte als Einführung zum Prospekt verstanden werden. Der Anleger sollte jede Entscheidung zur Anlage in die betreffenden Wertpapiere auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums („EWR“) die Kosten für eine etwaige Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen übernommen haben oder von denen der Erlass der Zusammenfassung ausgeht, können zivilrechtlich haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
<b>A.2</b>	<b>Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren durch Finanzintermediäre.</b>	Entfällt. Der Emittent hat der Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren nicht zugestimmt.

<b>Abschnitt B – Emittent</b>		
<b>B.1</b>	<b>Juristische und kommerzielle Bezeichnung des Emittenten</b>	Die juristische und kommerzielle Bezeichnung des Emittenten lautet PayPal Holdings, Inc. In dieser Zusammenfassung beziehen sich Verweise auf „PayPal“ oder die „Gesellschaft“ sowie auf „wir“, „uns“ bzw. „unsere“ auf die PayPal Holdings, Inc. und ihre in den Konzernabschluss einbezogenen Tochtergesellschaften, sofern sich aus dem Zusammenhang nichts anderes ergibt.
<b>B.2</b>	<b>Sitz und Rechtsform des Emittenten, das für den Emittenten geltende Recht und Land der Gründung</b>	PayPal wurde als Kapitalgesellschaft nach dem Recht des Staates Delaware gegründet und besteht als solche. Unsere Hauptniederlassung befindet sich in 2211 North First Street, San Jose, CA 95131, Kalifornien, USA.

<p><b>B.3</b></p>	<p><b>Beschreibung der Art der derzeitigen Geschäftstätigkeit des Emittenten und seiner Hauptaktivitäten sowie die Hauptmärkte, auf denen der Emittent tätig ist</b></p>	<p>PayPal Holding, Inc. wurde im Januar 2015 in Delaware gegründet und ist eine Gesellschaft mit einer führenden Technologieplattform und einem digitalen Zahlungsangebot, die für Verbraucher und Händler weltweit digitale und mobile Zahlungen ermöglicht. PayPal hat sich zum Ziel gesetzt Finanzdienstleistungen zu demokratisieren und Privatleute und Unternehmen darin zu stärken, an der globalen Wirtschaft mit Erfolg teilzunehmen. Unser Ziel ist es, unseren Kunden und Händlern die Möglichkeit zu eröffnen, Gelder in aller Welt, zu jeder Zeit sowie auf jeder Plattform und über jedes Endgerät zu überweisen und verwalten zu können. Wir bieten unsere kombinierten Bezahlösungen, einschließlich unserer Produkte PayPal, PayPal Credit, Braintree, Venmo, Xoom and iZettle über unsere unternehmenseigene Zahlungsplattform an.</p> <p>PayPals Dienstleistungen bieten unseren Kunden die Möglichkeit, Zahlungen anzuweisen und zu erhalten. Wir betreiben ein zweiseitiges Netzwerk, in dem sowohl Händler als auch Verbraucher über PayPal-Konten mit dort hinterlegten Guthabensfunktionen verfügen. Da PayPal als eigene Zahlungsform fungiert, die von Händlern akzeptiert wird, sind wir mehr als eine Verbindung zu Zahlungsnetzwerken Dritter. Unsere Dienstleistungen ermöglichen den Abschluss von Zahlungen auf unseren Zahlungsplattformen im Auftrag unserer Kunden. Wir bieten unseren Kunden die Flexibilität, ihr Konto für den Kauf von Waren und für den Erhalt von Zahlungen für Waren und Dienstleistungen, sowie für die Überweisung und Auszahlung von Geldern zu nutzen. Wir ermöglichen Verbrauchern über eine Vielzahl von Finanzierungsquellen einen sichereren Austausch von Geldern mit Händlern; bei diesen Finanzierungsquellen kann es sich um Bankkonten, ein PayPal-Kontoguthaben, ein PayPal Credit-Konto, eine Kreditkarte oder Debitkarte oder sonstige Produkte, auf denen Guthaben gespeichert ist, wie etwa Gutscheine und Geschenkkarten, handeln. Mit unseren Produkten PayPal, Venmo und Xoom gestaltet sich auch die Überweisung von Geldern zwischen Freunden und Familien sicherer und leichter. Für Händler bieten wir eine ganzheitliche Lösung für Zahlungsvorgänge, die sowohl die Autorisierung und Abwicklungen wie auch den unmittelbaren Zugang zu Geldmitteln umfasst. Wir unterstützen die Händler dabei, sich mit ihren Kunden zu vernetzen und Risiken zu kontrollieren. Wir ermöglichen es Verbrauchern, Einkäufe über Ländergrenzen hinweg zu tätigen und Händlern, ihren Geschäftsradius weltweit zu erweitern, und verringern gleichzeitig die Komplexität und Reibung, die im Handel mit Übersee und über Ländergrenzen hinweg ggf. entsteht.</p> <p>Unsere Umsätze erzielen wir hauptsächlich über Gebühren, die wir für den Abschluss von Zahlungstransaktionen für unsere Kunden und andere zahlungswirksame Dienstleistungen, die auf unserer Zahlungsplattform abgewickelt werden, erheben; diese Gebühren bemessen sich normalerweise nach dem Volumen der auf der Plattform verarbeiteten Aktivitäten. Verbrauchern stellen wir im Allgemeinen für Einzahlungen auf oder Belastungen von deren Konten keine Gebühren in Rechnung, generieren mit Verbrauchern jedoch Umsätze durch Gebühren, die wir für den Währungsumtausch berechnen. Außerdem erzielen wir Umsätze durch andere Dienste mit Zusatznutzen. Dies beinhaltet Umsätze, die über Partnerschaften erzielt werden, unsere PayPal Credit-Produkte, Abonnementgebühren, Gateway-Services und anderen Dienste, die wir unseren Händlern und Verbrauchern zur Verfügung stellen. Unsere Gateway-Services umfassen die Payflow-Gateway-Services sowie den Braintree-Gateway-Service. Mit unseren Gateway-Services stellen wir die Technologie bereit, die die Website eines Händlers mit dessen Datenverarbeitungsnetzwerk und dem Händlerkonto verbindet und über welche Händler mit Hilfe von Kredit- oder Debitkarten getätigte Online-Zahlungen annehmen können.</p>
<p><b>B.4a</b></p>	<p><b>Wichtigste jüngste Trends mit Auswirkung auf den Emittenten und seine Branche</b></p>	<p>PayPal geht davon aus, dass sich der Zahlungsverkehr im Zeitraum ab dem 31. Dezember 2018 bis zum Datum dieses Prospekts weiter rasant entwickelt und die Branche u. a. von den folgenden zentralen Trends bestimmt wird:</p> <ul style="list-style-type: none"> <li>• Rasche technologische Weiterentwicklungen, insbesondere Entwicklungen im Bereich Mobile-Payment;</li> <li>• Die zunehmende Nutzung mobiler Endgeräte für Transaktionen und Zahlungen</li> </ul>

		<p>im elektronischen Handel und die fortschreitende Umstellung des physischen auf den digitalen Handel;</p> <ul style="list-style-type: none"> <li>• Eine verstärkte regulatorische Fokussierung auf alle Aspekte der Zahlungsverkehrsbranche;</li> <li>• Die fortschreitende Weiterentwicklung der für uns einschlägigen Gesetze und Vorschriften durch gesetzgeberische und aufsichtsbehördliche Maßnahmen und richterliche Auslegung;</li> <li>• Eine beträchtliche Zunahme der Risiken im Bereich Informationssicherheit für globale Zahlungen und Technologieunternehmen.</li> </ul>																																																
<b>B.5</b>	<b>Beschreibung der Gruppe und Stellung des Emittenten innerhalb der Gruppe</b>	Entfällt, da bezüglich der der Gruppe und der Stellung der Emittentin in der Gruppe keine Informationen in diesem Prospekt enthalten sein müssen.																																																
<b>B.6</b>	<b>Darstellung der Beteiligungen am Kapital des Emittenten</b>	Entfällt, da bezüglich der Beteiligungen am Kapital von PayPal keine Informationen in diesem Prospekt enthalten sein müssen.																																																
<b>B.7</b>	<b>Ausgewählte Finanzinformationen bezüglich des Emittenten und erhebliche nachfolgende Veränderungen</b>	<p>Wir haben die nachfolgend dargestellten ausgewählten Daten der Konzern-Gewinn- und Verlustrechnung für 2018, 2017 und 2016 und die ausgewählten Daten der Konzernbilanz zum 31. Dezember 2018 und 2017 unseren geprüften Konzernabschlüssen und den Anhangsangaben entnommen, wie diese in unserem Geschäftsbericht (<i>Annual Report</i>) auf Formblatt 10-K („10-K“) für das am 31. Dezember 2018 beendete Geschäftsjahr veröffentlicht wurden. Wir haben die ausgewählten Daten der Konzernbilanz zum 31. Dezember 2016 aus unseren geprüften Konzernabschlüssen entnommen, wie diese im 10-K für das am 31. Dezember 2017 beendete Geschäftsjahr veröffentlicht wurden. Beide 10-Ks können, wie im Abschnitt „<i>Documents available for inspection</i>“ in diesem Prospekt beschrieben, eingesehen werden.</p> <p>Wir haben unsere Konzernabschlüsse in Übereinstimmung mit den in den Vereinigten Staaten von Amerika allgemein anerkannten Grundsätzen ordnungsgemäßer Buchführung („U.S.-GAAP“) erstellt.</p> <p>Zum 20. März 2019 lag der Wechselkurs US-Dollar zu Euro bei \$1,0000 = EUR 0,8762 (Quelle: Bloomberg). Diese Wechselkursinformationen dienen lediglich der Veranschaulichung. Wir geben keine Zusicherung dahingehend ab, dass ein in den nachstehenden Tabellen aufgeführter US-Dollar-Betrag zu diesem Wechselkurs oder einem anderen Wechselkurs in Euro umgerechnet wurde oder werden könnte.</p> <p><b>Konsolidierte Daten zur Gewinn- und Verlustrechnung:</b></p> <table border="1"> <thead> <tr> <th></th> <th colspan="3"><b>Geschäftsjahresabschluss 31. Dezember</b></th> </tr> <tr> <th></th> <th><b>2018</b></th> <th><b>2017</b></th> <th><b>2016</b></th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="3" style="text-align: center;">(in Millionen USD, außer Angaben zu Aktien)</td> </tr> <tr> <td>Nettoumsatzerlöse .....</td> <td>15.451</td> <td>13.094</td> <td>10.842</td> </tr> <tr> <td>Betriebsergebnis .....</td> <td>2.194</td> <td>2.127</td> <td>1.586</td> </tr> <tr> <td>Nettogewinn .....</td> <td>2.057</td> <td>1.795</td> <td>1.401</td> </tr> <tr> <td>Nettogewinn pro Aktie (USD):</td> <td></td> <td></td> <td></td> </tr> <tr> <td>  Unverwässert .....</td> <td>1,74</td> <td>1,49</td> <td>1,16</td> </tr> <tr> <td>  Verwässert .....</td> <td>1,71</td> <td>1,47</td> <td>1,15</td> </tr> <tr> <td>Gewichtete durchschnittliche Aktienanzahl (Zahlen in Mio.)<sup>(1)</sup>:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>  Unverwässert .....</td> <td>1.184</td> <td>1.203</td> <td>1.210</td> </tr> <tr> <td>  Verwässert .....</td> <td>1.203</td> <td>1.221</td> <td>1.218</td> </tr> </tbody> </table>		<b>Geschäftsjahresabschluss 31. Dezember</b>				<b>2018</b>	<b>2017</b>	<b>2016</b>		(in Millionen USD, außer Angaben zu Aktien)			Nettoumsatzerlöse .....	15.451	13.094	10.842	Betriebsergebnis .....	2.194	2.127	1.586	Nettogewinn .....	2.057	1.795	1.401	Nettogewinn pro Aktie (USD):				Unverwässert .....	1,74	1,49	1,16	Verwässert .....	1,71	1,47	1,15	Gewichtete durchschnittliche Aktienanzahl (Zahlen in Mio.) <sup>(1)</sup> :				Unverwässert .....	1.184	1.203	1.210	Verwässert .....	1.203	1.221	1.218
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		<b>Daten zur Konzernbilanz:</b>			
			<b>Zum 31. Dezember</b>		
		<b>2018</b>	<b>2017</b>	<b>2016</b>	
		(in Millionen USD)			
		Gesamtvermögen.....	43.332	40.774	33.103
		Langfristige Verbindlichkeiten, gesamt <sup>(1)</sup> .....	2.042	1.917	1.513
		(1) Repräsentiert latente Steuerverbindlichkeiten und andere langfristige Verbindlichkeiten.			
		Finanzlage und Betriebsergebnisse haben sich seit dem 31. Dezember 2018 nicht wesentlich verändert.			
<b>B.8</b>	<b>Pro Forma Finanzinformationen</b>	Entfällt, da keine historischen Finanzinformationen in diesem Prospekt enthalten sein müssen.			
<b>B.9</b>	<b>Gewinnprognose</b>	Entfällt. Dieser Prospekt enthält keine Gewinnprognose.			
<b>B.10</b>	<b>Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen</b>	Entfällt. Es gibt keine entsprechenden Beschränkungen im Bestätigungsvermerk.			
<b>B.11</b>	<b>Erklärung zum Geschäftskapital</b>	Wir gehen davon aus, dass unser Geschäftskapital (d. h. unsere Fähigkeit, auf Barmittel und andere verfügbare Liquiditätsquellen zuzugreifen) unseren derzeitigen Bedarf für mindestens zwölf Monate ab dem Datum dieses Prospekts deckt.			

<b>Abschnitt C — Wertpapiere</b>		
<b>C.1</b>	<b>Beschreibung von Art und Gattung der angebotenen Wertpapiere, einschließlich der Wertpapierkennnummer</b>	Bei den im Rahmen des Geänderten und Neu Gefassten Mitarbeiteraktienkaufplans der PayPal Inc. ( <i>PayPal Holdings, Inc. Amended and Restated Employee Stock Purchase Plan</i> ) (der „ESPP“) angebotenen Aktien handelt es sich um Stammaktien der Gesellschaft mit einem Nennwert von \$0,0001 pro Aktie. Alle ausgegebenen und im Umlauf befindlichen Aktien sind voll eingezahlt und nicht nachschusspflichtig.  Die Internationale Wertpapier-Identifikationsnummer (ISIN) für unsere Stammaktien lautet US70450Y1038. Die US-Wertpapier-Identifikationsnummer (ISIN) für unsere Stammaktien lautet 70450Y 10 3. Die deutsche Wertpapierkennnummer (WKN) ist A14R7U.
<b>C.2</b>	<b>Währung der Wertpapieremission</b>	Die Wertpapiere werden in US-Dollar ausgegeben.
<b>C.3</b>	<b>Anzahl der ausgegebenen Aktien</b>	Zum 31. Januar 2019 waren 1.173.209.367 Stammaktien im Umlauf.
<b>C.4</b>	<b>Beschreibung der mit den Wertpapieren verbundenen Rechte</b>	Ein teilnahmeberechtigter Mitarbeiter der am ESPP teilnimmt, hat so lange keine Stimm-, Dividenden- oder anderen Aktionärsrechte im Hinblick auf ein Angebot nach Maßgabe des ESPP, bis die Aktien im Rahmen des ESPP im Auftrag des Teilnehmers gekauft und der Teilnehmer eingetragener Aktionär der gekauften Aktien wurde. Nach dem Kauf der Aktien ist der Teilnehmer berechtigt, die mit den Aktien verbundenen Rechte (wie unten näher beschrieben) auszuüben.  <i>Dividendenrechte.</i> Die Gesellschaft hat sich dafür entschieden, in ihrer geänderten und aktualisierten Gründungsurkunde ( <i>Amended and Restated Certificate of Incorporation</i> )

		<p><i>ration</i>) keine Dividendenrechte vorzusehen. Vorbehaltlich der in der Gründungsurkunde enthaltenen Beschränkungen ist der Verwaltungsrat (<i>board of directors</i>) der Gesellschaft (der „Verwaltungsrat“) jedoch berechtigt, Dividenden zu erklären und für die Aktien unseres Stammkapitals zu zahlen, und zwar entweder (1) aus den Rücklagen oder (2) falls keine Rücklagen bestehen, aus dem Nettogewinn der Gesellschaft für das Geschäftsjahr, in dem die Dividende erklärt wird und/oder für das vorhergehende Geschäftsjahr, wenn dies vom Verwaltungsrat jeweils so festgelegt wird. Für in der EU oder im EWR wohnhafte Aktionäre bestehen keine Dividendenbeschränkungen und keine besonderen Verfahren. Im Allgemeinen verfallen Dividenden, die innerhalb von 3 Jahren nicht geltend gemacht werden, an den Staat.</p> <p><b>Stimmrechte.</b> Jeder Aktionär verfügt in Bezug auf alle Angelegenheiten, die den Aktionären der Gesellschaft zur Abstimmung gestellt werden, über eine Stimme für jede von ihm gehaltene Aktie.</p> <p><b>Recht auf Liquidationserlös.</b> Nach einer Liquidation, Auflösung oder Abwicklung der Gesellschaft werden die gesetzlich für die Ausschüttung an die Aktionäre verfügbaren Aktiva unter den Inhabern von den zu diesem Zeitpunkt im Umlauf befindlichen Stammaktien der Gesellschaft nach Zahlung eventueller Liquidationsvorzüge für eventuell im Umlauf befindliche Vorzugsaktien anteilig verteilt.</p> <p><b>Keine Bezugs-, Einziehungs- oder Wandlungsrechte.</b> Die Stammaktien der Gesellschaft gewähren keine Bezugs- oder Wandlungsrechte und unterliegen nicht der Einziehung.</p>
C.5	<b>Übertragbarkeit</b>	<p>Das Angebot zum Bezug von Aktien im Rahmen des ESPP wurde bzw. wird per Registrierungserklärung auf Formblatt S-8 bei der US-amerikanischen Börsenaufsicht (<i>U.S. Securities and Exchange Commission</i>; die "SEC") registriert, und die Aktien sind grundsätzlich frei übertragbar.</p> <p>Daher bleibt es einem teilnehmenden Mitarbeiter überlassen, in Übereinstimmung mit den anwendbaren Wertpapiergesetzen und unseren Richtlinien zum Insiderhandel, Aktien, die er im Rahmen des ESPP gekauft hat, jederzeit wieder zu verkaufen. Der teilnehmende Mitarbeiter trägt das Marktpreisrisiko der Aktien.</p>
C.6	<b>Zulassung zum Handel an einem geregelten Markt</b>	<p>Entfällt. Die Stammaktien der Gesellschaft sind an dem NASDAQ Stock Market („NASDAQ“) unter dem Kürzel „PYPL“ zum Handel zugelassen. Die Aktien werden an der NASDAQ in US-Dollar gehandelt. Die Aktien werden nicht zum Handel an einem geregelten Markt zugelassen.</p>
C.7	<b>Dividendenpolitik</b>	<p>Wir haben seit unserer Gründung keine Bardividenden für unsere Aktien ausgeschüttet. Wir planen auch in absehbarer Zukunft keine Ausschüttung von Bardividenden.</p>

<b>Abschnitt D — Risiken</b>		
<p>Mitarbeiter sollten vor ihrer Anlageentscheidung die nachfolgend beschriebenen Risiken, die im Abschnitt <i>Risk Factors</i> (“Risikofaktoren”) näher beschrieben sind, und die übrigen in diesem Prospekt enthaltenen Informationen sorgfältig lesen und bei ihrer Anlageentscheidung berücksichtigen. Der Eintritt dieser Risiken kann, einzeln oder zusammen mit anderen Umständen, die Geschäftstätigkeit und die Finanzlage der Gesellschaft wesentlich beeinträchtigen und dazu führen, dass der Börsenkurs der Aktien der Gesellschaft fällt. In diesem Fall könnten Mitarbeiter ihr eingesetztes Kapital ganz oder teilweise verlieren. Der Prospekt enthält alle Risiken, die die Gesellschaft für wesentlich erachtet. Allerdings könnten sich die nachfolgend aufgeführten Risiken rückwirkend betrachtet als nicht abschließend darstellen und daher nicht die einzigen Risiken sein, denen die Gesellschaft ausgesetzt ist. Weitere Risiken und Unsicherheiten könnten die Geschäftstätigkeit und die Finanzlage der Gesellschaft erheblich beeinträchtigen. Die gewählte Reihenfolge der Risikofaktoren enthält weder eine Aussage über die Eintrittswahrscheinlichkeit noch über das Ausmaß bzw. die Bedeutung der einzelnen Risiken.</p>		
D.1	<b>Risiken für den Emittenten oder sein Branchen-</b>	<p><b>Risikofaktoren, die sich auf unsere Geschäftstätigkeit, Ertragslage und Finanzlage auswirken können</b></p> <ul style="list-style-type: none"> <li>Wir sind in der Branche der globalen Zahlungsmethoden beträchtlichem und</li> </ul>



	<b>umfeld</b>	<p>weltweit stark wachsendem Wettbewerb ausgesetzt.</p> <ul style="list-style-type: none"> <li>• Der ganz überwiegende Teil unserer vierteljährlichen Nettoerlöse stammt hauptsächlich aus Zahlungstransaktionen, die in dem betreffenden Quartal stattgefunden haben. Dies kann zu beträchtlichen Fluktuationen unserer Geschäftsergebnisse führen, was wiederum nachteilige Auswirkungen auf unsere Geschäftstätigkeit, Finanzsituation, Ertragslage und unseren Kapitalfluss sowie auf den Handelspreis unserer Stammaktien haben kann.</li> <li>• Die globale und regionale Wirtschaftslage kann unsere Geschäftstätigkeit beeinträchtigen.</li> <li>• Wenn wir nicht mit der raschen technologischen Entwicklung Schritt halten können, um neue und innovative Produkte und Dienstleistungen anzubieten, könnten die Nutzung unserer Produkte und Dienstleistungen und somit unsere Umsätze zurückgehen.</li> <li>• Cyber-Angriffe sowie Sicherheitslücken können zu erheblichem Schaden führen, der unserem Ruf, unserer Geschäftstätigkeit und unserem Finanzergebnis beeinträchtigen könnte.</li> <li>• Systemausfälle und daraus resultierende Unterbrechungen der Verfügbarkeit unserer Websites, Anwendungen, Produkte oder Dienstleistungen könnten unserer Geschäftstätigkeit schaden.</li> <li>• Änderungen der Zahlungskartennetzwerke oder der Bankgebühren, der Bestimmungen oder der Vorgehensweisen könnten unsere Geschäftstätigkeit beeinträchtigen.</li> <li>• Wenn es uns nicht gelingt, wirksam gegen Betrug, fiktive Transaktionen, fehlgeleitete Transaktionen und negative Kundenerfahrungen umzugehen, würde dies unsere Schadensquote erhöhen und unserer Geschäftstätigkeit schaden; dies könnte das Vertrauen der Händler und Verbraucher und die Nutzung von PayPal-Dienstleistungen deutlich verringern.</li> <li>• Wir sind Wechselkursschwankungen ausgesetzt, welche erhebliche und nachteilige Auswirkungen auf unsere Finanzergebnisse haben könnten.</li> <li>• Alle Faktoren, die den grenzüberschreitenden Handel einschränken oder erschweren, können unsere Geschäftstätigkeit beeinträchtigen.</li> <li>• Änderungen im Verhalten unserer Kunden bei der Finanzierung der PayPal-Transaktionen könnten unserer Geschäftstätigkeit schaden.</li> <li>• Der Austritt des Vereinigten Königreichs aus der Europäischen Union könnte nachteilige Auswirkungen für uns haben.</li> <li>• Unsere Geschäftstätigkeit unterliegt umfassender behördlicher Regulierung und Aufsicht. Wenn es uns nicht gelingt, die umfassenden, komplexen, sich überschneidenden und sich häufig ändernden Regeln, Verordnungen und rechtlichen Auslegungen einzuhalten, könnte dies unserer Geschäftstätigkeit erheblich schaden.</li> <li>• Wenn Finanzinstitutionen, mit denen wir zusammenarbeiten, ihre Finanz- oder Leistungsverpflichtungen uns gegenüber nicht erfüllen oder ausfallen, könnte dies negative Auswirkungen für uns haben.</li> <li>• PayPal ist in den USA weder eine Bank noch ein genehmigter Kreditgeber und ist auf Dritte angewiesen, die Kredite gewähren und andere Dienstleistungen erbringen, die für unsere Tätigkeit wesentlich sind. Dies führt zu zusätzliche Risiken.</li> <li>• Unsere Fähigkeit, einen Vorteil aus unseren geschäftlichen Finanzangeboten zu generieren, könnte sich zum Nachteil ändern.</li> <li>• Einige unserer Kreditprodukte setzen uns zusätzlichen Risiken aus.</li> <li>• Katastrophen und geopolitische Rahmenbedingungen könnten unsere Geschäftstätigkeit nachhaltig stören. Änderungen an unseren Programmen zum Schutz von Käufern und Verkäufern können unsere Schadensquote erhöhen.</li> <li>• Unsere internationale Geschäftstätigkeit unterwirft uns einem erhöhten Risiko, das unsere Geschäftstätigkeit beeinträchtigen könnte.</li> <li>• Wir sind Zinsschwankungen ausgesetzt.</li> <li>• Die Verwendung unserer Zahlungsdienste zu ungesetzlichen Zwecken kann unsere Geschäftstätigkeit beeinträchtigen.</li> <li>• Fehler bei der angemessenen Verwaltung der Gelder unserer Kunden und der</li> </ul>
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		<p>Vermögensgegenstände zur Absicherung unserer Kundengelder können unsere Geschäftstätigkeit beeinträchtigen.</p> <ul style="list-style-type: none"> <li>• Wir sind Adressat von behördlichen Maßnahmen und kartellrechtlichen Verfahren im Rahmen der Wettbewerbsgesetze.</li> <li>• Wir sind in Patentrechtsstreitigkeiten verwickelt.</li> <li>• Wir sind möglicherweise nicht in der Lage, unsere geistigen Eigentumsrechte angemessen zu schützen oder durchzusetzen, oder Dritte könnten behaupten, dass wir ihre geistigen Eigentumsrechte verletzen.</li> <li>• Wir sind regelmäßig Gerichtsverfahren, aufsichtsrechtlichen Klagen und staatlichen Ermittlungen ausgesetzt.</li> <li>• Veränderungen im US-amerikanischen Steuerrecht könnten sich erheblich nachteilig auf unser Geschäft, unseren Kapitalfluss, unsere Ertragslage und unsere Finanzsituation auswirken.</li> <li>• Unsere Steuerverpflichtungen könnten höher als erwartet ausfallen.</li> <li>• Unsere Händler und wir selbst könnten Berichts- und Aufzeichnungspflichten bezüglich der Umsätze unterliegen.</li> <li>• Übernahmen, Gemeinschaftsunternehmen, strategische Investitionen sowie sonstige strategische Transaktionen können zu operativen Schwierigkeiten führen und unsere Geschäftstätigkeit beeinträchtigen.</li> <li>• Unsere Verschuldung birgt Risiken.</li> <li>• Wir sind in vielerlei Hinsicht von Dritten abhängig, was zusätzliche Risiken birgt.</li> <li>• Unsere Lösungen für Einzelhandels-Verkaufsstellen setzen uns zusätzlichen Risiken aus.</li> <li>• Unser Erfolg hängt in hohem Maß von wichtigen Mitarbeitern ab. Auf Grund des intensiven Wettbewerbs um unsere wichtigen Mitarbeiter sind wir möglicherweise nicht in der Lage, die für die Unterstützung unserer Tätigkeit erforderlichen hochqualifizierten Mitarbeiter ins Unternehmen zu bringen, zu halten und zu fördern. Der Verlust von wichtigen Mitarbeitern könnte unsere Fähigkeit beeinträchtigen, unsere Geschäftstätigkeit aufrechtzuerhalten und zu erweitern.</li> <li>• Wir sind Risiken ausgesetzt, die in Verbindung mit den durch unsere Produkte und Dienstleistungen verbreiteten Informationen stehen.</li> </ul> <p><b>Risiken in Bezug auf unsere Abspaltung von eBay</b></p> <ul style="list-style-type: none"> <li>• Wenn die Durchführung der Abspaltung in Verbindung mit anderen damit einhergehenden Transaktionen nach US-amerikanischem Einkommensteuerrecht gemäß Artikel 368 (a) (1) (D) und 305 des Internal Revenue Codes (“Code”) nicht grundsätzlich als steuerfrei eingestuft wird, könnten eBay, PayPal und eBay-Aktionäre erheblichen Steuerpflichten unterliegen.</li> <li>• Es bestehen gewisse Risiken im Hinblick auf unsere Beziehung zu eBay.</li> </ul>
<b>D.3</b>	<b>Wesentliche Risiken im Hinblick auf die Aktien</b>	<ul style="list-style-type: none"> <li>• Der Kurs unserer Stammaktie war bislang erheblichen Schwankungen ausgesetzt; dies könnte auch in Zukunft der Fall sein.</li> <li>• Unsere ergänzte und neu gefasste Gründungsurkunde erklärt die staatlichen Gerichte von Delaware, oder, wenn diese nicht zuständig sind, das Bundesgericht des Bezirks Delaware zu den einzigen und ausschließlich zuständigen Gerichten für bestimmte Klagen und Verfahren, die von unseren Aktionären angestrengt werden können. Diese könnten daher davor zurückschrecken, Prozesse gegen uns und unsere Organe (<i>Directors and Officers</i>) zu führen.</li> <li>• Bestimmte Regelungen in unserer ergänzten und neu gefassten Gründungsurkunde sowie in unserer Satzung könnten die Übernahme unserer Gesellschaft verhindern oder verzögern, was dazu führen könnte, dass der Börsenkurs unsere Stammaktie fällt.</li> </ul>

<b>Abschnitt E — Das Angebot</b>		
<b>E.1</b>	<b>Nettoemissionserlöse und geschätzte Gesamtkosten</b>	Am 20. März 2019 betrug der Schlusskurs der Stammaktie der Gesellschaft, der am NASDAQ quotiert wurde, USD 102,31. Am 31. Dezember 2018 hatten wir weltweit etwa 21.800 Mitarbeiter, davon etwa 11.500 innerhalb der Vereinigten Staaten. Unter

	<b>der Emission</b>	der Annahme, dass jeder der teilnahmeberechtigten Mitarbeiter die maximale Anzahl von 244 Stammaktien, erwirbt und unter der Annahme, dass der Kaufpreis hierfür USD 86,96 pro Aktie beträgt, was 85 Prozent des angemessenen Marktwerts der Stammaktie zum 20. März 2019 entspricht, dann würde der Bruttoemissionserlös, der der Gesellschaft zufällt, auf der Basis von 5.319.200 verkauften Aktien ca. USD 462.557.632 betragen. Die Kosten dieses Angebots bestehen aus Rechtsberatungskosten in einem Betrag von ungefähr USD 75.000. Nach Abzug dieser Kosten würde der Nettoemissionserlös auf Basis der vorstehenden Annahmen etwa USD 462.482.632 betragen.
<b>E.2a</b>	<b>Gründe für das Angebot und Verwendung des Emissionserlöses</b>	<p>Zweck des ESPP ist es, Teilnehmereberechtigten Mitarbeitern über Gehaltseinbehalte oder andere Beiträge die bequeme Möglichkeit zu bieten Eigenkapitalbeteiligungen an der Gesellschaft zu erwerben und ihnen so ein Gefühl der Teilhabe an den Geschicken der Gesellschaft zu geben.</p> <p>Wir können den Erlös aus dem Verkauf von Aktien für alle Geschäftszwecke nutzen. Der Erlös fließt auf das allgemeine Geschäftskonto der Gesellschaft. Auf diesem Konto werden sie mit anderen Geldern der Gesellschaft zusammengeführt und für allgemeine Zwecke der Gesellschaft verwendet.</p>
<b>E.3</b>	<b>Beschreibung der Angebotsbedingungen</b>	<p><b>Zusammenfassung des Angebots.</b> Gegenstand dieses Prospekts sind Angebote von PayPal-Stammaktien im Rahmen des ESPP. Der ESPP sieht die Gewährung von Optionen zum Erwerb von Stammaktien der Gesellschaft an teilnahmeberechtigte Mitarbeiter von PayPal oder ihrer Tochtergesellschaften vor.</p> <p><b>Angebotene Aktien.</b> Bei den im Rahmen des ESPP angebotenen Aktien handelt es sich um Stammaktien der Gesellschaft mit einem Nennwert von \$0,0001 pro Aktie.</p> <p>Zum Datum dieses Prospekts beträgt die maximale Anzahl der Aktien, die im Rahmen des ESPP insgesamt zum Kauf angeboten werden, 52.964.978 Aktien.</p> <p><b>Angebotszeiträume.</b> Die Dauer der einzelnen Angebotszeiträume im Rahmen des ESPP beträgt vierundzwanzig (24) Monate; sie beginnen jeweils am 1. Mai bzw. 1. November und enden jeweils am 30. April bzw. 31. Dezember eines jeden Jahres. Jeder Angebotszeitraum besteht aus vier (4) sechsmonatigen Kaufzeiträumen, während derer Gehaltseinbehalte oder Beiträge der teilnehmenden Mitarbeiter nach Maßgabe des ESPP angespart werden. In Deutschland, Irland, Schweden und dem Vereinigten Königreich betragen die Angebots- und Kaufzeiträume sechs Monate und laufen parallel. Der Ausschuss ist berechtigt, die Dauer der Angebotszeiträume für Angebote, die nicht der Genehmigung der Aktionäre bedürfen, zu ändern, wobei eine solche Änderung mindestens fünfzehn (15) Tage vor dem geplanten Beginn des ersten betroffenen Angebotszeitraums bekanntgegeben worden sein muss. Ungeachtet dessen kann der Verwaltungsrat oder der Ausschuss im Zusammenhang mit bestimmten gesellschaftsrechtlichen Transaktionen zusätzlich zu den vorstehend beschriebenen Angebotszeiträumen andere Angebotszeiträume einrichten, die den jeweils vom Ausschuss genehmigten Bedingungen und Bestimmungen unterliegen, einschließlich Anforderungen in Bezug auf Teilnahmerechtigung, Teilnahme, Festlegung von Kaufzeiträumen und Kaufdaten und sonstige für einen solchen Angebotszeitraum geltende Rechte. Ein teilnehmender Mitarbeiter kann sich jeweils nur für einen Angebotszeitraum registrieren.</p> <p>Ist der Marktwert am ersten Tag des aktuellen Angebotszeitraums, für den der teilnehmende Mitarbeiter für den ESPP registriert ist, höher als der Marktwert am ersten Tag eines nachfolgenden Angebotszeitraums, so registriert PayPal den teilnehmenden Mitarbeiter automatisch für den nachfolgenden Angebotszeitraum. Alle auf dem Buchungskonto des teilnehmenden Mitarbeiters bis vor dem ersten Tag des nachfolgenden Angebotszeitraums angesparten Beträge werden am Kaufdatum unmittelbar vor dem ersten Tag des nachfolgenden Angebotszeitraums zum Kauf von Aktien eingesetzt. Der teilnehmende Mitarbeiter muss PayPal keine weiteren Formulare zukommen lassen, sondern ist automatisch auch für den nachfolgenden Angebotszeitraum registriert.</p>

**Gehaltseinbehalte.** Der Kaufpreis der Aktien wird durch regelmäßige Gehaltseinbehalte oder Beiträge, die während der einzelnen Angebotszeiträume erbracht werden, gezahlt. Die Einbehalte oder Beiträge erfolgen als Prozentsatz der Vergütung des teilnehmenden Mitarbeiters - und zwar unabhängig davon, ob der Mitarbeiter in US-Dollar oder einer anderen Währung vergütet wird - in Ein-Prozent-Schritten (1 %), jedoch in Höhe von mindestens zwei Prozent (2 %) und höchstens zehn Prozent (10 %) (oder eines vom Ausschuss festgelegten niedrigeren Höchstwerts). Die Gehaltseinbehalte von PayPal werden erstmals mit der ersten Gehaltsauszahlung im Angebotszeitraum und im Folgenden mit jeder Gehaltszahlung bis zum Ablauf des betreffenden Angebotszeitraums vorgenommen, sofern sie nicht entsprechend dem ESPP zu einem früheren Zeitpunkt verändert oder beendet werden. Andere Beiträge werden zu der vom Ausschuss gemäß den Bedingungen des ESPP vorgeschriebenen Zeit bzw. in der dort vorgegebenen Art und Weise abgeführt.

**Teilnahmeberechtigung.** Ein Mitarbeiter der Gesellschaft oder ihrer benannten Tochtergesellschaften oder verbundenen Unternehmen (jeweils eine „Teilnehmende Gesellschaft“) ist zur Teilnahme an einem Angebotszeitraum im Rahmen des ESPP berechtigt, sofern er (i) mindestens zehn (10) Tage vor Beginn eines solchen Angebotszeitraums bei einer Teilnehmenden Gesellschaft beschäftigt war und/oder (ii) nicht Inhaber von Aktien oder Optionen zum Kauf von Aktien ist, die fünf Prozent (5 %) oder mehr der gesamten stimmberechtigten Aktien oder des Werts aller Aktiengattungen der Gesellschaft oder einer ihrer Tochtergesellschaften oder verbundenen Gesellschaften ausmachen (oder als Ergebnis seiner Teilnahme am ESPP Inhaber eines entsprechenden Prozentsatzes an Aktien oder Optionen zum Kauf von Aktien wäre).

**Benannter Broker.** E\*TRADE Financial Corporation („E\*TRADE“).

**Kaufpreis.** Der Kaufpreis pro Aktie, zu dem eine Aktie in einem Angebotszeitraum verkauft wird, beträgt fünfundachtzig Prozent (85 %) des niedrigeren der folgenden Beträge: (a) des Marktwerts zum Angebotsdatum oder (b) des Marktwerts zum Kaufdatum.

Zum Zwecke des ESPP bezeichnet der Begriff „Marktwert“ zu einem gegebenen Datum der quotierten Schlusskurs einer Aktie wie von der NASDAQ bekanntgegeben (sofern die Aktien an der NASDAQ gehandelt werden) an dem betreffenden Stichtag, wie er im *Wall Street Journal* veröffentlicht wird.

**Lieferung.** Wir werden die von jedem Teilnehmer gekauften Aktien sobald wie möglich nach Ende des betreffenden Angebotszeitraums an dessen Wertpapierdepot liefern. Übersteigt am letzten Tag des Angebotszeitraums die Anzahl der Aktien, die in einem Angebotszeitraum gekauft werden soll, die Anzahl der gemäß dem ESPP noch zur Verfügung stehenden Aktien, werden die zur Verfügung stehenden Aktien den teilnehmenden Arbeitnehmern anteilig zugeteilt (oder in der Art und Weise, die der Verwalter (wie unten definiert) für angemessen hält). Guthabenbeträge auf dem Konto eines Teilnehmers, die am Ende eines Angebotszeitraums nach Durchführung des Aktienkaufs verblieben sind oder nicht genügen, um eine ganze PayPal-Stammaktie zu kaufen, werden dem Teilnehmer zurückerstattet.

**Beschränkungen.** Gehaltseinbehalte, die dem Teilnehmerkonto gutgeschrieben wurden, oder Rechte in Bezug auf die Ausübung einer Option oder auf die Erlangung von Aktien im Rahmen des ESPP dürfen weder abgetreten, übertragen, noch verpfändet oder auf andere Weise veräußert werden, ausgenommen durch Testament, im Wege der gesetzlichen Erbfolge oder im Rahmen der Nachlassverwaltung. Zu Lebzeiten eines Teilnehmers kann nur der Teilnehmer selbst die Option zum Erwerb von Aktien ausüben.

Die im Rahmen der Ausübung einer Option erworbenen Aktien unterliegen keinen Verfügungsbeschränkungen.

**Verwaltung des ESPP.** Die Verwaltung des Plans obliegt dem Verwaltungsrat oder einem vom Verwaltungsrat bestimmten Ausschuss (jeweils im Folgenden: der „Verwalter“ genannt). Die Verwaltung, die Auslegung oder Handhabung des ESPP durch den Verwalter ist endgültig, abschließend und für alle Teilnehmer verbindlich. Des

		<p>weiteren haben wir Computershare Shareowner Services als Depotstelle und E*TRADE als Finanzmakler des ESPP zum Zwecke dieses Angebots benannt.</p> <p><b>Einstellung des ESPP.</b> Der Verwaltungsrat kann den ESPP jederzeit einstellen oder ändern, mit der Einschränkung, dass bestimmte Änderungen der Zustimmung der Aktionäre bedürfen. Bereits gewährte Optionen werden davon nicht berührt, noch können die mit der Option gewährten Rechte zum Nachteil des Teilnehmers abgeändert werden.</p> <p><b>Provision.</b> E*TRADE und die SEC erheben für jeden Verkauf von Aktien, die durch Ausübung der Option erworben wurden, eine Provision. Die von E*TRADE erhobene Gebühr beträgt pro Transaktion USD 9,95.</p> <p>Die SEC erhebt eine Gebühr auf die Übertragung von Aktien, die der Mitarbeiter ggf. zahlen muss. Diese Gebühr wird zum Zeitpunkt des Verkaufs an die SEC gezahlt und wird auf alle Aktiengeschäfte erhoben. Derzeit beträgt die Gebühr USD 0,000013 multipliziert mit dem entsprechenden Betrag des Verkaufserlöses. Die SEC-Gebühr ist in der von E*TRADE erhobenen Gebühr bereits enthalten.</p>
E.4	<b>Beschreibung aller für das Angebot wesentlichen Interessen, einschließlich von Interessenskonflikten</b>	Entfällt, da bezüglich derartiger Interessen keine Informationen in diesem Prospekt enthalten sein müssen.
E.5	<b>Name des Unternehmens, das die Wertpapiere zum Verkauf anbietet</b>	PayPal Holdings, Inc.
E.6	<b>Maximale Verwässerung</b>	<p>Der Buchwert des Eigenkapitals der Gesellschaft (definiert als gesamtes Vermögen minus gesamte Verbindlichkeiten) gemäß dem Konzernabschluss der Gesellschaft zum 31. Dezember 2018 betrug etwa USD 15.386.000.000. Dies entspricht ungefähr USD 13,11 pro Aktie (errechnet auf Basis von 1.173.209.367 im Umlauf befindlichen Stammaktien am 31. Januar 2019).</p> <p>Wenn die Gesellschaft einen Nettoemissionserlös in Höhe von USD 462.482.632 zum Datum dieses Prospekts erhalten hätte, hätte der Buchwert des Eigenkapitals zu diesem Zeitpunkt ungefähr USD 15.848.482.632, oder USD 13,45 pro Aktie betragen (auf Basis der erhöhten Anzahl von 1.178.528.567 ausgegebenen Aktien nach dem Kauf von 5.319.200 Aktien und eines angenommen Kaufpreises von USD 86,96, was 85 Prozent des Marktpreises der Aktien von USD 102,31 entsprechend dem Schlusskurs am 20. März 2019 entspricht). Auf Basis der oben beschriebenen Annahmen würde die Durchführung des Angebots daher zu einer unmittelbaren Erhöhung des Buchwertes des Eigenkapitals um USD 462.482.632 führen und den bestehenden Aktionären kommt eine Erhöhung des Buchwertes ihrer Aktien von USD 0,34 pro Aktie oder etwa 2,59 % zugute. Teilnahmeberechtigte Mitarbeiter, die Aktien kaufen, und folglich Investoren, die Aktien zum Kaufpreis von USD 86,96 erwerben, unterliegen einer Verwässerung von USD 73,51 pro Aktie oder etwa 84,53 %.</p>
E.7	<b>Schätzung der dem Anleger vom Emittenten in Rechnung gestellten Ausgaben</b>	Entfällt. Derartige Ausgaben bestehen nicht.

## PROSPECTUS SUMMARY

### Note to the reader

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable.”

<b>Section A — Introduction and Warnings</b>		
<b>A.1</b>	<b>Introduction and Warnings</b>	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area ("EEA"), have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have assumed responsibility for the contents of the summary or presented the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, the required key information.
<b>A.2</b>	<b>Use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.</b>	Not applicable. The issuer has not consented to the use of the prospectus for subsequent resale or final placement of securities.

<b>Section B — Issuer</b>		
<b>B.1</b>	<b>Legal and commercial name of the Issuer</b>	The legal and commercial name of the issuer is PayPal Holdings, Inc. References in this summary to “PayPal” or the “Company”, as well as references to "we", "us" or "our", mean PayPal Holdings, Inc. and its consolidated subsidiaries, unless the context indicates otherwise.
<b>B.2</b>	<b>Domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation</b>	PayPal is a corporation incorporated and existing under the laws of Delaware. Our principal offices are located at 2211 North First Street, San Jose, California, 95131, United States.
<b>B.3</b>	<b>Description of the nature of the Issuer’s current operations and its principal activities and identification of the principal markets in which</b>	PayPal Holdings, Inc. was incorporated in Delaware in January 2015 and is a leading technology platform and digital payments company that enables digital and mobile payments on behalf of consumers and merchants worldwide. PayPal is committed to democratizing financial services and empowering people and businesses to join and thrive in the global economy. Our goal is to enable our consumers and merchants to manage and move their money anywhere in the world, anytime, on any platform and using any device. Our combined payment solutions, including our PayPal, PayPal Credit, Braintree, Venmo, Xoom and iZettle products, compose our proprietary

	<b>the Issuer competes.</b>	<p>Payments Platform.</p> <p>PayPal’s service enables our customers to send and receive payments. We operate a two-sided network where both merchants and consumers have PayPal accounts with stored balance functionality. Since PayPal serves as a proprietary payment method that is accepted by merchants, we are more than a connection to third-party payment networks. Our service enables the completion of payments on our Payments Platform on behalf of our customers. We offer our customers the flexibility to use their accounts to purchase and receive payment for goods and services, as well as to transfer and withdraw funds. We enable consumers to exchange funds more safely with merchants using a variety of funding sources, which may include a bank account, a PayPal account balance, a PayPal Credit account, a credit or debit card, or other stored value products such as coupons and gift cards. Our PayPal, Venmo and Xoom products also make it safer and simpler for friends and family to transfer funds to each other. We offer merchants an end-to-end payments solution that provides authorization and settlement capabilities, as well as instant access to funds. We help merchants connect with their customers and manage risk. We enable consumers to engage in cross-border shopping and merchants to extend their global reach while reducing the complexity and friction involved in enabling overseas and cross-border trade.</p> <p>We earn revenues primarily by charging fees for completing payment transactions for our customers and other payment-related services that are typically based on the volume of activity processed on our Payments Platform. Generally, we do not charge consumers to fund or draw from their accounts; however, we generate revenue from consumers on fees charged for foreign currency exchange. We also earn revenue by providing other value added services which comprise revenue earned through partnerships, our PayPal Credit products, subscription fees, gateway services, and other services that we provide to our merchants and consumers. Our gateway services, which include our Payflow Gateway services and Braintree Gateway services, provide the technology that links a merchant’s website to its processing network and merchant account and enables merchants to accept payments online with credit or debit cards.</p>
<b>B.4a</b>	<b>Most significant recent trends affecting the Issuer and its industry</b>	<p>In the period from December 31, 2018 through the date of this prospectus, PayPal believes that the payment landscape continues to evolve rapidly, and that key industry trends include:</p> <ul style="list-style-type: none"> <li>• Rapid technological developments, particularly developments with respect to mobile payments.</li> <li>• The increasing use of mobile devices for ecommerce transactions and payments and the continuing transition of commerce from the physical world to the digital world.</li> <li>• A heightened regulatory focus on all aspects of the payments industry.</li> <li>• The continuing evolution of the laws and regulations to which we are subject through legislative and regulatory action and judicial interpretation.</li> <li>• A significant increase in information security risks for global payments and technology companies.</li> </ul>
<b>B.5</b>	<b>Description of the Group and Issuer’s position within the Group</b>	Not applicable, because information regarding the Group and the issuer's position within the Group is not required to be provided elsewhere in the prospectus.
<b>B.6</b>	<b>Interests in the Issuer’s capital</b>	Not applicable, because information regarding the Company’s capital structure is not required to be provided elsewhere in the prospectus.
<b>B.7</b>	<b>Financial information</b>	We derived the following selected consolidated statement of operations data for 2018, 2017 and 2016 and the selected consolidated balance sheet data as of December 31,

	<p><b>regarding the Issuer and subsequent material changes</b></p>	<p>2018 and 2017 from our audited consolidated financial statements and accompanying notes as published in our Annual Report on Form 10-K (“10-K”) for the year ended December 31, 2018. We derived the selected consolidated balance sheet data as of December 31, 2016 from our audited consolidated financial statements as published in our 10-K for the year ended December 31, 2017. Both 10-Ks can be accessed as described in the section “Documents Available for Inspection” of this prospectus.</p> <p>We prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States.</p> <p>As at March 20, 2019, the exchange rate between the U.S. dollar and the euro, expressed as euros per dollar, was \$1.0000 = €0.8762 (<i>source</i>: Bloomberg). We have provided this exchange rate information solely for illustrative purposes. We make no representation that any amount of U.S. dollars specified in the tables below has been, or could be, converted into euro at the rate indicated or any other rate.</p> <p><b>Consolidated Statement of Income Data:</b></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th colspan="3" style="text-align: center;"><b>Year ended December 31,</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2018</b></th> <th style="text-align: center;"><b>2017</b></th> <th style="text-align: center;"><b>2016</b></th> </tr> <tr> <th></th> <th colspan="3" style="text-align: center;">(in millions \$, except share data)</th> </tr> </thead> <tbody> <tr> <td>Net revenue .....</td> <td style="text-align: right;">15,451</td> <td style="text-align: right;">13,094</td> <td style="text-align: right;">10,842</td> </tr> <tr> <td>Operating income .....</td> <td style="text-align: right;">2,194</td> <td style="text-align: right;">2,127</td> <td style="text-align: right;">1,586</td> </tr> <tr> <td>Net income .....</td> <td style="text-align: right;">2,057</td> <td style="text-align: right;">1,795</td> <td style="text-align: right;">1,401</td> </tr> <tr> <td>Net income per share (in \$):</td> <td></td> <td></td> <td></td> </tr> <tr> <td>  Basic.....</td> <td style="text-align: right;">1.74</td> <td style="text-align: right;">1.49</td> <td style="text-align: right;">1.16</td> </tr> <tr> <td>  Diluted.....</td> <td style="text-align: right;">1.71</td> <td style="text-align: right;">1.47</td> <td style="text-align: right;">1.15</td> </tr> <tr> <td>Weighted average shares</td> <td></td> <td></td> <td></td> </tr> <tr> <td>(Number in millions):</td> <td></td> <td></td> <td></td> </tr> <tr> <td>  Basic.....</td> <td style="text-align: right;">1,184</td> <td style="text-align: right;">1,203</td> <td style="text-align: right;">1,210</td> </tr> <tr> <td>  Diluted.....</td> <td style="text-align: right;">1,203</td> <td style="text-align: right;">1,221</td> <td style="text-align: right;">1,218</td> </tr> </tbody> </table> <p><b>Consolidated Balance Sheet Data:</b></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th colspan="3" style="text-align: center;"><b>As of December 31</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>2018</b></th> <th style="text-align: center;"><b>2017</b></th> <th style="text-align: center;"><b>2016</b></th> </tr> <tr> <th></th> <th colspan="3" style="text-align: center;">(in millions \$)</th> </tr> </thead> <tbody> <tr> <td>Total assets .....</td> <td style="text-align: right;">43,332</td> <td style="text-align: right;">40,774</td> <td style="text-align: right;">33,103</td> </tr> <tr> <td>Total long-term liabilities<sup>(1)</sup> .....</td> <td style="text-align: right;">2,042</td> <td style="text-align: right;">1,917</td> <td style="text-align: right;">1,513</td> </tr> </tbody> </table> <p>(1) Represents deferred tax liability and other long-term liabilities.</p> <p>There has been no significant change to our financial condition and operating results since December 31, 2018.</p>		<b>Year ended December 31,</b>				<b>2018</b>	<b>2017</b>	<b>2016</b>		(in millions \$, except share data)			Net revenue .....	15,451	13,094	10,842	Operating income .....	2,194	2,127	1,586	Net income .....	2,057	1,795	1,401	Net income per share (in \$):				Basic.....	1.74	1.49	1.16	Diluted.....	1.71	1.47	1.15	Weighted average shares				(Number in millions):				Basic.....	1,184	1,203	1,210	Diluted.....	1,203	1,221	1,218		<b>As of December 31</b>				<b>2018</b>	<b>2017</b>	<b>2016</b>		(in millions \$)			Total assets .....	43,332	40,774	33,103	Total long-term liabilities <sup>(1)</sup> .....	2,042	1,917	1,513
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<p><b>B.8</b></p>	<p><b>Pro forma financial information</b></p>	<p>Not applicable, because no historical financial information is required to be provided in the prospectus.</p>																																																																								
<p><b>B.9</b></p>	<p><b>Profit forecast</b></p>	<p>Not applicable. This prospectus does not contain any profit forecast.</p>																																																																								
<p><b>B.10</b></p>	<p><b>Qualifications in the audit report on the historical financial information</b></p>	<p>Not applicable. There are no such qualifications in the auditors’ report.</p>																																																																								
<p><b>B.11</b></p>	<p><b>Working capital statement</b></p>	<p>We believe that our working capital (that is, our ability to access cash and other available liquid resources) is sufficient to meet our present requirements for at least the 12 months following the date of this prospectus.</p>																																																																								



Section C — Securities		
C.1	<b>Type and class of the securities being offered, including the Security Identification Code</b>	<p>The shares offered under the PayPal Holdings, Inc. Amended and Restated Employee Stock Purchase Plan (the “ESPP”) are shares of the Company’s common stock with a par value of \$0.0001 per share. All issued and outstanding shares of common stock are fully paid and non-assessable.</p> <p>The International Securities Identification Number (ISIN) for our common stock is US70450Y1038. The U.S. security identification (CUSIP) number for our common stock is 70450Y 10 3. The German Securities Identification Number (WKN) is A14R7U.</p>
C.2	<b>Currency of the securities issue</b>	The U.S. dollar is the currency of the securities issue.
C.3	<b>Number of shares issued</b>	As of January 31, 2019, there were 1,173,209,367 shares of common stock outstanding.
C.4	<b>Rights attached to the securities</b>	<p>An eligible employee participating in the ESPP will have no voting, dividend or other stockholder rights with respect to any offering under the ESPP until the shares are purchased pursuant to the ESPP on behalf of the participant and the participant has become a holder of record of the purchased shares. Following the purchase, the participant will be entitled to the rights attached to the shares, as further described below:</p> <p><b>Dividend Rights.</b> The Company elected not to provide dividend rights in its Amended and Restated Certificate of Incorporation (“Certificate of Incorporation”). However, the Company’s board of directors (the “Board), subject to any restrictions contained in the Certificate of Incorporation, is entitled to declare and pay dividends upon the shares of our capital stock either (1) out of the surplus, or (2) in case there shall be no such surplus, out of the Company’s net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year as the Board may from time to time determine. There are no dividend restrictions and no special dividend procedures for stockholders resident in the EU or the European Economic Area. In general, dividends that are unclaimed for three years escheat to the state.</p> <p><b>Voting Rights.</b> Each holder of shares is entitled to one vote for each share held on all matters submitted to a vote of the Company’s stockholders.</p> <p><b>Rights to Receive Liquidation Distributions.</b> Upon a liquidation, dissolution or winding-up of the Company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the Company’s common stock outstanding at that time after payment of any liquidation preferences on any outstanding preferred stock.</p> <p><b>No Preemptive, Redemptive or Conversions Provisions.</b> The shares are not entitled to preemptive rights and are not subject to conversion or redemption.</p>
C.5	<b>Transferability</b>	<p>The shares in this offering under the ESPP are or will be registered on a registration statement on Form S-8 with the U.S. Securities and Exchange Commission (the “SEC”) and are generally freely transferable.</p> <p>A participating employee may sell shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws and our insider trading policy. The participating employee assumes the risk of any market fluctuations in the price of the shares.</p>
C.6	<b>Admission to trading on a Regulated Market</b>	Not applicable. The Company’s common stock is listed on the NASDAQ Stock Market (“NASDAQ”), under the symbol “PYPL.” The shares are quoted on NASDAQ in U.S. dollars. The shares will not be admitted for trading on any regulated market.

C.7	<b>Dividend policy</b>	We have not declared or paid any cash dividends on our capital stock since our inception. We do not expect to pay cash dividends in the foreseeable future.
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**Section D — Risks**

Employees should carefully consider the risks described below, which are described in more detail under the caption “Risk Factors,” and other information contained in this prospectus, and take these factors into account in making their investment decision. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the business and financial condition of the Company and cause the market price of the Company’s shares to decline. In such case, employees could lose all or part of their investment. The prospectus contains all risks which the Company deems material. However, the risks described below may turn out to be incomplete and therefore may not be the only risks to which the Company is exposed. Additional risks and uncertainties could have a material adverse effect on the business and financial condition of the Company. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the extent or the significance of the individual risks.

D.1	<b>Risks related to the Issuer or its industry</b>	<p><b><i>Risk Factors That May Affect Our Business, Results of Operations and Financial Condition</i></b></p> <ul style="list-style-type: none"> <li>• We face substantial and increasingly intense competition worldwide in the global payments industry.</li> <li>• Substantially all of our net revenues each quarter come primarily from transactions involving payments during that quarter, which may result in significant fluctuations in our operating results that could adversely affect our business, financial condition, results of operations, and cash flows, as well as the trading price of our common stock.</li> <li>• Global and regional economic conditions could harm our business.</li> <li>• If we cannot keep pace with rapid technological developments to provide new and innovative products and services, the use of our products and services and, consequently, our revenues could decline.</li> <li>• Cyberattacks and security vulnerabilities could result in serious harm to our reputation, business, and financial condition.</li> <li>• Systems failures and resulting interruptions in the availability of our websites, applications, products, or services could harm our business.</li> <li>• Changes to payment card networks or bank fees, rules, or practices could harm our business.</li> <li>• Failure to deal effectively with fraud, fictitious transactions, bad transactions, and negative customer experiences would increase our loss rate and harm our business, and could severely diminish merchant and consumer confidence in and use of our services.</li> <li>• We are exposed to fluctuations in foreign currency exchange rates that could materially and adversely affect our financial results.</li> <li>• Any factors that reduce cross-border trade or make such trade more difficult could harm our business.</li> <li>• Changes in how consumers fund their PayPal transactions could harm our business.</li> <li>• The United Kingdom’s departure from the EU could adversely affect us.</li> <li>• Our business is subject to extensive government regulation and oversight. Our failure to comply with extensive, complex, overlapping, and frequently changing rules, regulations, and legal interpretations could materially harm our business.</li> <li>• If one or more of our counterparty financial institutions default on their financial or performance obligations to us or fail, we may incur significant losses.</li> <li>• PayPal is not a bank or licensed lender in the U.S. and relies upon third parties to make loans and provide other products critical to our business, which raises additional risks.</li> <li>• Our ability to receive the benefit of our business finance offerings may be subject to challenge.</li> <li>• Some of our credit products expose us to additional risks.</li> </ul>
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		<ul style="list-style-type: none"> <li>• Catastrophic events or geopolitical conditions may disrupt our business</li> <li>• Changes to our buyer and seller protection programs could increase our loss rate.</li> <li>• Our international operations subject us to increased risks, which could harm our business.</li> <li>• We are exposed to fluctuations in interest rates.</li> <li>• Use of our payments services for illegal purposes could harm our business.</li> <li>• Our failure to manage our customer funds and the assets underlying our customer funds properly could harm our business.</li> <li>• We are subject to regulatory activity and antitrust litigation under competition laws.</li> <li>• We are subject to patent litigation.</li> <li>• We may be unable to adequately protect or enforce our intellectual property rights, or third parties may allege that we are infringing their intellectual property rights.</li> <li>• We are regularly subject to general litigation, regulatory actions, and government inquiries.</li> <li>• Changes in U.S. tax laws could have a material adverse effect on our business, cash flow, results of operations, and financial conditions.</li> <li>• We may have exposure to greater than anticipated tax liabilities.</li> <li>• We and our merchants may be subject to sales reporting and record-keeping obligations.</li> <li>• Acquisitions, joint ventures, strategic investments, and other strategic transactions could result in operating difficulties and could harm our business.</li> <li>• There are risks associated with our indebtedness.</li> <li>• We rely on third parties in many aspects of our business, which creates additional risk.</li> <li>• Our retail point of sale solutions expose us to additional risks.</li> <li>• Our success largely depends on key personnel. Because competition for our key employees is intense, we may not be able to attract, retain, and develop the highly skilled employees we need to support our business. The loss of key personnel could harm our ability to maintain and grow our business.</li> <li>• We are subject to risks associated with information disseminated through our products and services.</li> </ul> <p><b><i>Risks Related to Our Separation from eBay</i></b></p> <ul style="list-style-type: none"> <li>• If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code (the “Code”), eBay, PayPal and eBay stockholders could be subject to significant tax liabilities.</li> <li>• There are risks associated with our relationship with eBay.</li> </ul>
<b>D.3</b>	<b>Key risks related to the shares</b>	<ul style="list-style-type: none"> <li>• The price of our common stock has fluctuated and may continue to fluctuate significantly.</li> <li>• Our amended and restated certificate of incorporation designates the state courts of the State of Delaware, or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us and our directors and officers.</li> <li>• Certain provisions in our amended and restated certificate of incorporation and bylaws may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.</li> </ul>

Section E — Offer		
E.1	<b>Net proceeds and estimate of total expenses</b>	On March 20, 2019, the closing price of a share of the Company’s common stock as quoted on NASDAQ was \$102.31. As of December 31, 2018, we employed approximately 21,800 people globally, of whom approximately 11,500 were located in the United States. Assuming that each eligible employee purchased the maximum number of 244 shares of common stock and assuming a purchase price of \$86.96, which is 85% of the common stock’s fair market value as of March 20, 2019, then the gross proceeds to the Company would be approximately \$462,557,632 on the basis of 5,319,200 purchased shares. The costs of this offering consist of legal expenses in an amount of approximately \$75,000. After deduction of such costs the net proceeds, based on the above assumptions, would be approximately \$462,482,632.
E.2a	<b>Reasons for the offer and use of proceeds</b>	<p>The purpose of the ESPP is to provide Eligible Employees with a convenient means of acquiring an equity interest in the Company through payroll deductions or other contributions, to enhance such employees’ sense of participation in the affairs of the Company.</p> <p>We may use the proceeds from the sale of shares under the ESPP for any corporate purpose. The proceeds will be booked to the general account of the Company. On that account, they are pooled with other company monies which will be used for general corporate purposes.</p>
E.3	<b>Description of the terms and conditions of the offer</b>	<p><b>Summary of the Offering.</b> The subject matter of this prospectus is offerings of shares of PayPal’s common stock under the ESPP. The ESPP permits the grant of options to purchase shares of the Company’s common stock to eligible employees of PayPal or its subsidiaries.</p> <p><b>Offered Shares.</b> The shares offered under the ESPP are shares of the Company’s common stock with a par value of \$0.0001 per share.</p> <p>As of the date of this prospectus, the total number of shares issuable pursuant to available purchase rights under the ESPP is 52,964,978 shares.</p> <p><b>Offering Periods.</b> Each offering period under the ESPP is twenty-four (24) months in duration, commencing on May 1 and November 1 and ending on April 30 and October 31 of each year. Each offering period consists of four (4) six- month purchase periods during which payroll deductions or contributions of the participating employees are accumulated under the ESPP. In Germany, Ireland, Sweden and the United Kingdom, the offering period and the purchase period are six months long and run in parallel. The Committee has the power to change the duration of offering periods with respect to offerings without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first offering period to be affected. Notwithstanding the foregoing, the Board or the Committee may, in connection with certain corporate transactions, establish other offering periods in addition to those described above, which will be subject to any specific terms and conditions that the Committee approves, including requirements with respect to eligibility, participation, the establishment of purchase periods and purchase dates and other rights under any such offering period. A participating employee may be enrolled in only one offering period at a time.</p> <p>If the fair market value on the first day of the current offering period in which the participating employee is enrolled in the ESPP is higher than the fair market value on the first day of any subsequent offering period, PayPal will automatically enroll the participating employee in the subsequent offering period. Any funds accumulated in the participating employee’s account prior to the first day of the subsequent offering period will be applied to the purchase of shares on the purchase date immediately prior to the first day of the subsequent offering period. The participating employee will not need to file any additional forms with PayPal to be automatically enrolled in the subsequent offering period.</p>

	<p><b>Payroll Deduction.</b> The purchase price of the shares is paid through regular payroll deductions or contributions made during each purchase period. The deductions or contributions are made as a percentage of the participating employee’s compensation, whether the participating employee is compensated in dollars or any other currency, in one percent (1%) increments, which may not be less than two percent (2%), nor greater than ten percent (10%) (or such lower limit set by the Committee). Payroll deductions will commence on the first payday of the offering period and shall continue to the end of the offering period unless sooner altered or terminated as provided in the ESPP. Other contributions will be made at the time and in the manner prescribed by the Committee in accordance with the terms of the ESPP.</p> <p><b>Eligibility to Participate.</b> An employee of the Company or its designated subsidiaries or affiliates (each a “Participating Company”) is eligible to participate in an offering period under the ESPP unless (i) the employee is not employed by a Participating Company ten (10) business days before the beginning of such offering period; and/or (ii) the employee owns stock or holds options to purchase stock (or would own stock or hold options as a result of participation in the ESPP) possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries or affiliates.</p> <p><b>Designated Broker.</b> E*TRADE Financial Corporation (“E*TRADE”).</p> <p><b>Purchase Price.</b> The purchase price per share at which a share will be sold in any offering period shall be eighty-five percent (85%) of the lower of: (a) the fair market value on the Offering date; or (b) the fair market value on the purchase date.</p> <p>For purposes of the ESPP, the term “fair market value” on a given date (assuming the shares are quoted on NASDAQ) is the closing price of a share as quoted on NASDAQ on the date of determination as reported in the <i>Wall Street Journal</i>.</p> <p><b>Delivery.</b> As promptly as practicable after the end of each offering period, we will deliver the shares purchased by each participant to his or her brokerage account. If the number of shares to be purchased in an offering period exceeds the number of shares available under the ESPP on the last day of the offering period, then the available shares will be allocated among the participating employees on a pro rata basis (or in such manner as the Administrator (as defined below) deems to be equitable). Any cash remaining to the credit of a participant’s account under the ESPP after a purchase of shares at the termination of each offering period, or which is insufficient to purchase a full share of PayPal’s common stock, will be returned to the participant.</p> <p><b>Restrictions.</b> Neither payroll deductions credited to a participant’s account nor any rights with regard to the exercise of an option or to receive shares under the ESPP may be assigned, transferred, pledged or otherwise disposed of in any way, other than by will or the laws of descent and distribution. During the lifetime of the participant, the option to purchase shares under the ESPP is only exercisable by the participant.</p> <p>The shares purchased following exercise of the option are not subject to any transfer restrictions.</p> <p><b>Administration of the ESPP.</b> The ESPP is administered by the Board or a committee appointed by the Board (in either case, the “Administrator”). The administration, interpretation or application of the ESPP by the Administrator shall be final, conclusive and binding upon all participants. We have further appointed Computershare Shareowner Services as the depository agent and E*TRADE as designated ESPP broker for the purpose of this offering.</p> <p><b>Termination of the ESPP.</b> The Board may at any time terminate or amend the ESPP, provided that certain amendments may require stockholder approval. No such termination can affect options previously granted, nor may any amendment make any change in any option previously granted that adversely affects the rights of any participant.</p> <p><b>Commission.</b> On sales of shares obtained upon exercise of the option, a commission</p>
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		<p>is charged by E*TRADE and the SEC. The fee charged by E*TRADE is \$9.95 per transaction.</p> <p>The SEC imposes a fee on the transfer of shares, which the employee may be required to pay. This fee is paid to the SEC at the time of sale and is required for all equity trades. Currently, the fee is equal to \$0.000013 multiplied by the total principal amount of the sale proceeds. The SEC fee is included in the fee charged by E*TRADE.</p>
<b>E.4</b>	<b>Description of material interest to the offer including conflict or interests</b>	Not applicable, because information regarding such interests is not required to be provided anywhere else in this prospectus.
<b>E.5</b>	<b>Name of the entity offering to sell the securities</b>	PayPal Holdings, Inc.
<b>E.6</b>	<b>Maximum dilution</b>	<p>The book value of the shareholders' equity of the Company (defined as total assets less total liabilities) as reflected in the consolidated financial statements amount to approximately \$15,386,000,000 as of December 31, 2018. This is equivalent to approximately \$13.11 per share (calculated on the basis of 1,173,209,367 shares of common stock outstanding as of January 31, 2019).</p> <p>If the Company had obtained net proceeds in the amount of \$462,482,632 as of the date of this prospectus, the book value of the shareholders' equity at that time would have been about \$15,848,482,632, or \$13.45 per share (based on the increased number of 1,178,528,567 shares after the purchase of 5,319,200 shares assuming a purchase price of \$86.96, which is 85% of the common stock's fair market value of \$102.31, representing the closing price as of March 20, 2019). Consequently, under the above-mentioned assumptions, the implementation of the offering would lead to a direct increase in the book value of shareholders' equity of \$462,482,632 and existing stockholders will enjoy an increase of the book value of their shares of \$0.34 per share, or approximately 2.59%. Eligible employees who purchased the shares and, thus, investors who acquire shares at the purchase price of \$86.96 will be diluted by \$73.51 per share, or by approximately 84.53%.</p>
<b>E.7</b>	<b>Estimated expenses charged to the investor by the Issuer</b>	Not applicable. There are no such expenses.

## RISK FACTORS

*Before enrollment in the ESPP, employees should carefully consider the risks described below.*

*The following discussion is divided into three sections. The first section, which begins immediately following this paragraph, discusses some of the risks that may adversely affect our business, results of operations and financial condition. The second section, captioned “Risks Related to Our Separation from eBay” discusses some of the risks relating to our separation from eBay in July 2015 into an independent publicly traded company. The third section, captioned “Risks Related to Our Common Stock,” discusses some of the risks relating to an investment in our Common Stock.*

*Employees should carefully review all of these sections for important information regarding risks and uncertainties that affect us, in addition to the other information contained in this prospectus, and take these factors into account in making their investment decision.*

*The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. These risks could materially affect our business, financial condition, results of operation, and future prospects; cause the trading price of our common stock to decline materially; or cause our actual results to differ materially from those expected or those expressed in any forward-looking statements made by us. In that case, employees could lose all or part of their investment. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under “General Information—Forward-Looking Statements”.*

### **Risk Factors That May Affect Our Business, Results of Operations and Financial Condition**

*We face substantial and increasingly intense competition worldwide in the global payments industry.*

The global payments industry is highly competitive, rapidly changing, highly innovative, and increasingly subject to regulatory scrutiny. We compete against a wide range of businesses, including businesses that are larger than we are, have a more dominant and secure position, or offer other products and services to consumers and merchants that we do not offer, as well as smaller companies that may be able to respond more quickly to regulatory and technological changes. Many of the areas in which we compete evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services. Competition may also intensify as businesses enter into business combinations and alliances, and established companies in other segments expand to become competitive with different aspects of our business.

We compete primarily on the basis of the following:

- ability to attract, retain, and engage both merchants and consumers with our two-sided platform;
- ability to demonstrate to merchants that they may achieve incremental sales by using and offering our services to consumers;
- consumer confidence in the safety and security of transactions on our Payments Platform, including the ability for consumers to use our products and services without sharing their financial information with the merchant or any other party they are paying;
- simplicity and transparency of our fee structure;
- ability to develop products and services across multiple commerce channels, including mobile payments, credit products, and payments at the retail point of sale;
- trust in our dispute resolution and buyer and seller protection programs;
- customer service experience;
- brand recognition and preference;
- website, mobile platform and application onboarding, ease-of-use, speed, availability, and dependability;
- the technology and payment agnostic nature of our Payments Platform;
- system reliability and data security;
- ability to assist merchants in complying with payments-related laws and regulations ;
- ease and quality of integration into third-party mobile applications and operating systems; and

- quality of developer tools, such as our application programming interfaces and software development kits.

We compete against a wide range of businesses with varying roles in all forms of payments, including:

- paper-based transactions (principally cash and checks);
- providers of traditional payment methods, particularly credit and debit cards and Automated Clearing House transactions (in particular, well-established banks);
- payment networks which facilitate payments for credit card users;
- providers of “digital wallets” which offer customers the ability to pay online and/or in-store through a variety of payment methods, including with mobile applications, through contactless payments, and with a variety of payment cards;
- providers of mobile payments solutions that use tokenized card data approaches and contactless payments (e.g., near field communication (“NFC”) or host card emulation functionality) to eliminate the need to swipe or insert a card or enter a personal identification number or password;
- payment-card processors that offer their services to merchants, including for “card on file” payments where the merchant invites the consumer to select a payment method for their first transaction and to use the same payment method for subsequent transactions;
- providers of “person-to-person” payments that facilitate individuals sending money with an email address or mobile phone number;
- merchants and merchant associations providing proprietary payment networks to facilitate payments within their own retail network;
- money remitters;
- providers of card readers for mobile devices and of other point-of-sale and multi-channel technologies; and
- providers of virtual currencies and distributed ledger technologies.

We often partner with many of these businesses and we consider the ability to continue establishing these partnerships as important to our business. Competition for relationships with these partners is intense and there can be no assurance that we will be able to continue to establish, grow, or maintain these partner relationships.

We also face competition and potential competition from:

- service providers that provide online merchants the ability to offer their customers the option of paying for purchases from their bank account or paying on credit;
- issuers of stored value products targeted at online payments;
- other global online and mobile payment-services providers;
- services targeting users of social networks and online gaming, including those offering social commerce and peer-to-peer payments;
- payment services enabling banking customers to send and receive payments through their bank account, including through immediate or real-time payments systems;
- ecommerce services that provide special offers linked to a specific payment provider;
- services that help merchants accept and manage virtual currencies; and
- electronic funds transfer services as a method of payment for both online and offline transactions.

Some of these competitors have larger customer bases, volume, scale, resources, and market share than we do, which may provide them significant competitive advantages. Some of our competitors may also be subject to less burdensome licensing, anti-money laundering, counter-terrorist financing, and other regulatory requirements. They may devote greater resources to the development, promotion, and sale of products and services, and they may offer lower prices or more effectively introduce their own innovative programs, products, and services that adversely impact our growth.

If we are not able to differentiate our products and services from those of our competitors, drive value for our customers, or effectively align our resources with our goals and objectives, we may not be able to compete effectively in the market.



***Substantially all of our net revenues each quarter come primarily from transactions involving payments during that quarter, which may result in significant fluctuations in our operating results that could adversely affect our business, financial condition, results of operations, and cash flows, as well as the trading price of our common stock.***

Substantially all of our net revenues each quarter come primarily from transactions involving payments during that quarter. As a result, our operating and financial results have varied on a quarterly basis during our operating history, and may continue to fluctuate significantly as a result of a variety of factors, including as a result of the risks set forth in this “Risk Factors” section. It is difficult for us to forecast accurately the level or source of our revenues or earnings. In view of the rapidly evolving nature of our business, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. Due to the inherent difficulty in forecasting revenues, it is also difficult to forecast expenses as a percentage of net revenues. Quarterly and annual expenses as a percentage of net revenues reflected in our financial statements may be significantly different from historical or projected rates. Our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. The trading price of our common stock may decline significantly as a result of the factors described in this paragraph.

***Global and regional economic conditions could harm our business.***

Our operations and performance depend significantly on global and regional economic conditions. Uncertainty about global and regional economic events and conditions may result in consumers and businesses postponing or lowering spending in response to, among other factors:

- tighter credit,
- higher unemployment,
- consumer debt levels or reduced consumer confidence.
- financial market volatility,
- fluctuations in foreign currency exchange rates and interest rates,
- changes and uncertainties related to government fiscal and tax policies, including increased duties, tariffs, or other restrictions,
- the inability of the U.S. Congress to enact a budget in a fiscal year, another sequestration, and/or another shutdown of the U.S. government,
- government austerity programs, and
- other negative financial news or macroeconomic developments.

These and other global and regional economic events and conditions, including Brexit, could have a material adverse impact on the demand for our products and services, including a reduction in the volume and size of transactions on our Payments Platform. In addition, any financial turmoil affecting the banking system or financial markets could cause additional consolidation of the financial services industry, significant financial service institution failures, new or incremental tightening in the credit markets, low liquidity, and extreme volatility or distress in the fixed income, credit, currency, and equity markets, which could have a material adverse impact on our business. See also the risk factor captioned, “The United Kingdom’s departure from the EU could adversely affect us.”

***If we cannot keep pace with rapid technological developments to provide new and innovative products and services, the use of our products and services and, consequently, our revenues could decline.***

Rapid, significant, and disruptive technological changes impact the industries in which we operate, including developments in payment card tokenization, cryptocurrencies, mobile, social commerce (i.e., ecommerce through social networks), authentication, virtual currencies (including distributed ledger and blockchain technologies), and NFC and other proximity payment technology, such as contactless payments. As a result, we expect new services and technologies to continue to emerge and evolve, and we cannot predict the effects of technological changes on our business. In addition to our own initiatives and innovations, we rely in part on third parties, including some of our competitors, for the development of and access to new or evolving technologies. These third parties may restrict or prevent our access to, or utilization of, those technologies, as well as their platforms or products. In addition, we may not be able to accurately predict which technological developments or innovations will become widely adopted and how those technologies may be regulated. We expect that new services and technologies applicable to the industries in which we operate will continue to emerge and may be

superior to, or render obsolete, the technologies we currently use in our products and services. Developing and incorporating new technologies into our products and services may require substantial expenditures, take considerable time, and ultimately may not be successful. In addition, our ability to adopt new products and services and to develop new technologies may be inhibited by industry-wide standards, payments networks, changes to laws and regulations, resistance to change from consumers or merchants, third-party intellectual property rights, or other factors. Our success will depend on our ability to develop and incorporate new technologies and adapt to technological changes and evolving industry standards; if we are unable to do so in a timely or cost-effective manner, our business could be harmed.

***Cyberattacks and security vulnerabilities could result in serious harm to our reputation, business, and financial condition.***

Our business involves the collection, storage, processing, and transmission of customers' personal data, including financial information and information about how they interact with our Payments Platform. In addition, a significant number of our customers authorize us to bill their payment cards or bank accounts directly for all transaction and other fees charged by us. We have built our reputation on the premise that our Payments Platform offers customers a more secure way to make payments. An increasing number of organizations, including large merchants, businesses, technology companies, and financial institutions, as well as government institutions, have disclosed breaches of their information security systems, some of which have involved sophisticated and highly targeted attacks, including on their websites, mobile applications, and infrastructure.

The techniques used to obtain unauthorized, improper, or illegal access to our systems, our data or customers' data, disable or degrade service, or sabotage systems are constantly evolving and have become increasingly complex and sophisticated, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. We expect that unauthorized parties will continue to attempt to gain access to our systems or facilities through various means, including hacking into our systems or facilities or those of our customers, partners, or vendors, or attempting to fraudulently induce (for example, through spear phishing attacks) our employees, customers, partners, vendors, or other users of our systems into disclosing user names, passwords, payment card information, or other sensitive information, which may in turn be used to access our information technology systems. Certain efforts may be state-sponsored and supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. Numerous and evolving cybersecurity threats, including advanced and persisting cyberattacks, phishing and social engineering schemes, could compromise the confidentiality, availability, and integrity of the data in our systems. We believe that PayPal is a particularly attractive target for such breaches and attacks due to our name and brand recognition and the widespread adoption and use of our products and services. Although we have developed systems and processes designed to protect our data and customer data and to prevent data loss and other security breaches, and expect to continue to expend significant resources to bolster these protections, there can be no assurance that these security measures provide absolute security.

Our information technology and infrastructure may be vulnerable to cyberattacks or security breaches, and third parties may be able to access our customers' personal or proprietary information and payment card data that are stored on or accessible through those systems. We have experienced from time to time, and may experience in the future, breaches of our security measures due to human error, malfeasance, system errors or vulnerabilities, or other irregularities. Actual or perceived breaches of our security could, among other things:

- interrupt our operations,
- result in our systems or services being unavailable,
- result in improper disclosure of data,
- materially harm our reputation and brands,
- result in significant regulatory scrutiny and legal and financial exposure,
- cause us to incur significant remediation costs,
- lead to loss of customer confidence in, or decreased use of, our products and services,
- divert the attention of management from the operation of our business,
- result in significant compensation or contractual penalties from us to our customers and their business partners as a result of losses to them or claims by them, and
- adversely affect our business and results of operations.

In addition, any cyberattacks or data security breaches affecting companies that we acquire or our customers, partners, or vendors (including data center and cloud computing providers) could have similar negative effects. Actual or perceived vulnerabilities or data breaches have led and may lead to claims against us.

In addition, under payment card rules and our contracts with our card processors, if there is a breach of payment card information that we store, or that is stored by our direct payment card processing vendors, we could be liable to the payment card issuing banks for their cost of issuing new cards and related expenses. We also expect to expend significant additional resources to protect against security or privacy breaches, and may be required to redress problems caused by breaches. Financial services regulators in various jurisdictions, including the U.S. and the EU, have implemented authentication requirements for banks and payment processors intended to reduce online fraud, which could impose significant costs, require us to change our business practices, make it more difficult for new customers to join PayPal, and reduce the ease of use of our products, which could harm our business. While we maintain insurance policies, they may not be adequate to reimburse us for losses caused by security breaches.

***Systems failures and resulting interruptions in the availability of our websites, applications, products, or services could harm our business.***

Our systems and those of our services providers and partners may experience service interruptions or degradation because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, and other natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. We have experienced from time to time, and may experience in the future, disruptions in our systems due to break-ins, sabotage, and intentional acts of vandalism. Some of our systems are not fully redundant, and our disaster recovery planning may not be sufficient for all eventualities. In addition, as a provider of payments solutions, we are subject to heightened scrutiny by regulators that may require specific business continuity, resiliency and disaster recovery plans, and more rigorous testing of such plans, which may be costly and time-consuming and may divert our resources from other business priorities.

We have experienced and expect to continue to experience system failures, denial-of-service attacks, and other events or conditions from time to time that interrupt the availability, or reduce or adversely affect the speed or functionality of our products and services. These events have resulted and likely will result in loss of revenue. A prolonged interruption in the availability or reduction in the availability, speed, or functionality of our products and services could materially harm our business. Frequent or persistent interruptions in our services could cause current or potential customers to believe that our systems are unreliable, leading them to switch to our competitors or to avoid or reduce the use of our products and services, and could permanently harm our reputation and brands. Moreover, if any system failure or similar event results in damages to our customers or their business partners, these customers or partners could seek significant compensation or contractual penalties from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address, and could have other consequences described in this “Risk Factors” section under the caption “Cyberattacks and security vulnerabilities could result in serious harm to our reputation, business, results of operation, and financial condition.”

Our Payments Platform has experienced and may in the future experience intermittent unavailability. The full-time availability and expeditious delivery of our products and services is critical to our goal of gaining widespread acceptance among consumers and merchants for digital payments. We have undertaken certain system upgrades and re-platforming efforts designed to improve our reliability and speed. These efforts are costly and time-consuming, involve significant technical risk and may divert our resources from new features and products, and there can be no guarantee that these efforts will succeed. Because we are a regulated financial institution in certain jurisdictions, frequent or persistent site interruptions could lead to regulatory scrutiny, significant fines and penalties, and mandatory and costly changes to our business practices, and ultimately could cause us to lose existing licenses that we need to operate or prevent or delay us from obtaining additional licenses that may be required for our business.

We also rely on facilities, components, and services supplied by third parties, including data center facilities and cloud storage services. If these third parties cease to provide the facilities or services, experience operational interference or disruptions, breach their agreements with us, fail to perform their obligations and meet our expectations, or experience a cybersecurity incident, our operations could be disrupted or otherwise negatively affected, which could result in customer dissatisfaction and damage to our reputation and brands, and materially and adversely affect our business. We do not carry business interruption insurance sufficient to compensate us for all losses that may result from interruptions in our service as a result of systems failures and similar events.

In addition, we are continually improving and upgrading our information systems and technologies. Implementation of new systems and technologies is complex, expensive, and time-consuming. If we fail to timely and successfully implement new information systems and technologies, or improvements or upgrades to existing information systems and technologies, or if such systems and technologies do not operate as intended, this could have an adverse impact on our business, internal controls (including internal controls over financial reporting), results of operations, and financial condition.

***Changes to payment card networks or bank fees, rules, or practices could harm our business.***

We rely on banks or other payment processors to process transactions and pay fees for their services. From time to time, payment card networks have increased, and may continue to increase in the future, the interchange fees and assessments that they charge for each transaction that accesses their networks. Payment card networks have imposed, and may impose in the future, special fees or assessments for transactions that are executed through a “digital wallet” such as PayPal’s, which could particularly impact us and significantly increase our costs. Our payment card processors may have the right to pass any increases in interchange fees and assessments on to us as well as increase their own fees for processing, which could increase our operating costs and reduce our operating income. We have entered into strategic partnerships with Visa and Mastercard and other credit card networks to further expand our relationships in a way that will make it easier for merchants to accept and consumers to choose to pay with their respective credit and debit cards. During the terms of these agreements, Visa and Mastercard have each agreed to not enact or impose any fees or rules that solely target PayPal. Upon termination of the agreements, PayPal could become subject to special digital wallet fees or other special assessments.

In addition, in some jurisdictions, governmental regulations have required payment card networks to reduce interchange fees. Any material change in credit or debit card interchange rates in the U.S. or other markets, including as a result of changes in interchange fee limitations, could adversely affect our competitive position against traditional credit and debit card service providers and our business.

We are required to comply with payment card network operating rules, including special operating rules for payment service providers to merchants. We have agreed to reimburse our processors for any fines they are assessed by payment card networks as a result of any rule violations by us or our merchants. We may also be directly liable to the payment card networks for rule violations. The payment card networks set and interpret the card operating rules and have alleged from time to time that various aspects of our business model violate these operating rules. If such allegations are not resolved favorably, they may result in significant fines and penalties or require changes in our business practices that may be costly. The payment card networks could adopt new operating rules or interpret or re-interpret existing rules that we or our processors might find difficult or even impossible to follow, or costly to implement. As a result, we could lose our ability to give consumers the option of using payment cards to fund their payments or the choice of currency in which they would like their payment card to be charged. If we are unable to accept payment cards or are limited in our ability to do so, our business would be adversely affected.

We and our payment card processors have implemented specific business processes for merchants to comply with payment card network operating rules for providing services to merchants. Any failure to comply with these rules could result in fines. We are also subject to fines from payment card networks if we fail to detect that merchants are engaging in activities that are illegal or that are considered “high risk,” including the sale of certain types of digital content. For “high risk” merchants, we must either prevent such merchants from using PayPal services or register such merchants with the payment card networks and conduct additional monitoring with respect to such merchants. Although the amount of these fines has not been material to date, additional fines in the future could become significant and could result in a termination of our ability to accept payment cards or require changes in our process for registering new customers, which would adversely affect our business. Payment card network rules may also increase the cost of, impose restrictions on, or otherwise negatively impact the development of, our retail point-of-sale solutions, which may negatively impact their deployment and adoption.

***Failure to deal effectively with fraud, fictitious transactions, bad transactions, and negative customer experiences would increase our loss rate and harm our business, and could severely diminish merchant and consumer confidence in and use of our services.***

Our operations process a significant volume and dollar value of transactions on a daily basis. In the event that merchants do not fulfill their obligations to consumers or a merchant's goods or services do not match the merchant’s description, we may incur substantial losses as a result of claims from consumers. We seek to recover such losses from the merchant, but may not be able to recover in full if the merchant is unwilling or unable to pay. In addition, in the event of the bankruptcy or other business interruption of a merchant that sells goods or services in advance of the date of their delivery or use (e.g., airline, cruise or concert tickets, custom-made

goods, and subscriptions), we could be liable to the buyers of such goods or services, either through our buyer protection program or through chargebacks on payment cards used by customers to fund their payment. While we have established allowances for transaction losses based on assumptions and estimates that we believe are reasonable to cover such losses incurred as of the reporting date, these reserves may be insufficient.

We also incur substantial losses from claims that the consumer did not authorize the purchase, from customer fraud, from erroneous transactions, and as a result of customers who have closed bank accounts or have insufficient funds in their bank accounts to satisfy payments. In addition, if losses incurred by us related to payment card transactions become excessive, they could potentially result in our losing the right to accept payment cards for payment, which would harm our business. We have taken measures to detect and reduce the risk of fraud, but these measures need to be continually improved and may not be effective against fraud, particularly new and continually evolving forms of fraud or in connection with new product offerings. If these measures do not succeed, our business could be harmed.

***We are exposed to fluctuations in foreign currency exchange rates that could materially and adversely affect our financial results.***

We have significant operations internationally that are denominated in foreign currencies, including the British Pound, Euro, Australian Dollar, and Canadian Dollar, which subject us to foreign currency risk. The strengthening or weakening of the U.S. dollar versus the British Pound, Euro, Australian Dollar, and Canadian Dollar impacts the translation of our net revenues generated in these foreign currencies into the U.S. dollar. In connection with providing our services in multiple currencies, we may face financial exposure if we incorrectly set our foreign exchange rates or as a result of fluctuations in foreign exchange rates between the times that we set them. Given that we also hold some corporate and customer funds in non-U.S. currencies, our financial results are affected by the remeasurement of these non-U.S. currencies into U.S. dollars. We also have foreign exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. While we regularly enter into transactions to hedge foreign currency risk for portions of our foreign currency translation and balance sheet exposure, it is impossible to predict or eliminate the effects of this exposure.

***Any factors that reduce cross-border trade or make such trade more difficult could harm our business.***

Cross-border trade (i.e., transactions where the merchant and consumer are in different countries) is an important source of our revenue and profits. Cross-border transactions generally provide higher revenues and operating income than similar transactions that take place within a single country or market. Cross-border trade also represents our primary (and in some cases, our only) presence in certain important markets.

Cross-border trade is subject to, and may be negatively impacted by, foreign exchange rate fluctuations. In addition, the interpretation and application of laws of multiple jurisdictions (e.g., the jurisdiction of the merchant and of the consumer) are often extremely complicated in the context of cross-border trade. Changes to or the interpretation and/or application of laws and regulations applicable to cross-border trade could impose additional requirements and restrictions, impose conflicting obligations, and increase the costs associated with cross-border trade. Any factors that increase the costs of cross-border trade for us or our customers or that restrict, delay, or make cross-border trade more difficult or impractical, such as trade policy or higher tariffs, could negatively impact our revenues and profits and harm our business. See also the risk factor captioned, “Global and regional economic conditions could harm our business.”

***Changes in how consumers fund their PayPal transactions could harm our business.***

We pay transaction fees when consumers fund payment transactions using credit cards, lower fees when consumers fund payments with debit cards, and nominal fees when consumers fund payment transactions by electronic transfer of funds from bank accounts, or from an existing PayPal account balance or through our PayPal branded consumer credit products. Our financial success is sensitive to changes in the rate at which our consumers fund payments using credit and debit cards (collectively, “payment cards”), which can significantly increase our costs. Although we provide consumers with the opportunity to use their existing PayPal account balance to fund payment transactions, some of our consumers may prefer to use payment cards, especially if these payment cards offer features and benefits that are not provided as part of their PayPal accounts. An increase in the portion of our payment volume funded using payment cards or in fees associated with our funding mix, or other events or developments that make it more difficult or costly for us to fund transactions with lower-cost funding options, could materially and adversely affect our financial performance and significantly harm our business.

We have entered into strategic partnerships with major payment card networks and/or issuing banks to promote greater consumer choice and make it easier for merchants to accept and consumers to pay with these partners’

credit and/or debt cards and to allow us to gain access to these partners' tokenization services for in-store point of sale PayPal transactions. These arrangements may have an uncertain impact on our business. While we anticipate that these and similar strategic partnerships we may enter into in the future will result in an increase in the number of transactions and transaction volume that we process, we also anticipate that a greater percentage of customer transactions will be executed using a payment card, which would likely increase the transaction costs associated with our funding mix, which could adversely affect our business, results of operations, and profitability.

***The United Kingdom's departure from the EU could adversely affect us.***

The United Kingdom ("U.K.") held a referendum in June 2016 in which a majority of voters approved an exit from the European Union ("EU") (commonly referred to as "Brexit"). In March 2017, the U.K. government initiated the exit process under Article 50 of the Treaty on European Union, which commenced a two-year period expiring on March 29, 2019, after which time the U.K. is expected to leave the EU in the absence of any effective extension to the Article 50 period. Political negotiations are underway; however, there is a significant lack of clarity over the terms of the U.K.'s exit from the EU and the terms of the U.K.'s future relationship with the EU. The U.K.'s financial service regulators are implementing Temporary Permission Regimes that are expected to be put in place by the U.K.'s government to support European Economic Area ("EEA") financial services firms in continuing to conduct business in the U.K. should the U.K. exit the EU without an agreement.

Brexit could adversely affect U.K., regional (including European), and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the British Pound and Euro, which in turn could adversely affect us or our customers and companies with which we do business, particularly in the U.K. Brexit could lead to greater restrictions on the supply and availability of goods and services between the U.K and the EEA region, with the potential inability of U.K. companies to fulfill orders leading in turn to a risk of increased merchant defaults and buyer protection claims. Brexit could also trigger a general deterioration in credit conditions, a downturn in consumer sentiment and overall negative economic growth. Any of these scenarios could have an adverse effect on our business or our customers.

In addition, Brexit could lead to legal uncertainty and increased complexity for financial services firms as national laws and regulations in the U.K. start to diverge from EU laws and regulations. In particular, depending on the terms of Brexit, we may face new regulatory costs and challenges, including the following:

- if we are unable to utilize appropriate authorizations and regulator permissions, our EU operations could lose their ability to offer services on a cross-border basis into the U.K. market and for our U.K. based operations to offer services on a cross-border basis in the EEA markets. For example, our ability to work primarily with the Luxembourg regulator as the lead authority for various aspects of our U.K. operations may also be impacted;
- we could be required to obtain additional regulatory permissions to operate in the U.K. market, adding costs and potential inconsistency to our business (and, depending on the capacity of the U.K. authorities, the criteria for obtaining permission, and any possible transitional arrangements, there is a risk that our business in the U.K. could be materially affected or disrupted)
- we could be required to comply with regulatory requirements in the U.K. that are in addition to, or inconsistent with, the regulatory requirements of the EU, leading to increased complexity and costs for our EU and UK operations; and
- our ability to attract and retain the necessary human resources in appropriate locations to support the U.K. business and the EU business of PayPal could be adversely impacted.

These and other factors related to Brexit could, individually or in the aggregate, have a material adverse impact on our business, financial condition, and results of operations.

***Our business is subject to extensive government regulation and oversight. Our failure to comply with extensive, complex, overlapping, and frequently changing rules, regulations, and legal interpretations could materially harm our business.***

Our business is subject to laws, rules, regulations, policies, and legal interpretations in the markets in which we operate, including, but not limited to, those governing:

- banking,
- credit,

- deposit taking,
- cross-border and domestic money transmission,
- prepaid access,
- foreign exchange,
- privacy,
- data protection,
- cybersecurity,
- banking secrecy,
- payment services (including payment processing and settlement services),
- consumer protection,
- economic and trade sanctions,
- anti-money laundering, and
- counter-terrorist financing.

Our success and increased visibility may result in increased regulatory oversight and enforcement and more restrictive rules and regulations that apply to our business.

As we expand and localize our international activities, we have become increasingly obligated to comply with the laws of the countries or markets in which we operate. In addition, because our services are accessible worldwide and we facilitate sales of goods and provide services to customers worldwide, one or more jurisdictions may claim that we or our customers are required to comply with their laws. Laws regulating the internet, mobile, and related technologies outside of the U.S. often impose different, more specific, or even conflicting obligations on us, as well as broader liability. For example, certain transactions that may be permissible in a local jurisdiction may be prohibited by regulations of U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") or U.S. anti-money laundering or counter-terrorist financing regulations.

Any failure or perceived failure to comply with existing or new laws, regulations, or orders of any governmental authority (including changes to or expansion of the interpretation of those laws, regulations, or orders), including those discussed in this risk factor, may subject us to significant fines, penalties, criminal and civil lawsuits, forfeiture of significant assets, and enforcement actions in one or more jurisdictions, result in additional compliance and licensure requirements, increase regulatory scrutiny of our business, restrict our operations, and force us to change our business practices, make product or operational changes, or delay planned product launches or improvements. Any of the foregoing could, individually or in the aggregate, harm our reputation, damage our brands and business, and adversely affect our results of operations and financial condition. The complexity of U.S. federal and state regulatory and enforcement regimes, coupled with the global scope of our operations and the evolving global regulatory environment, could result in a single event giving rise to a large number of overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions. We have implemented policies and procedures designed to help ensure compliance with applicable laws and regulations, but there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations.

#### *Payments Regulation*

In the U.S., PayPal, Inc. has obtained licenses to operate as a money transmitter (or its equivalent) in the states where such licenses are required, as well as in the District of Columbia, the U.S. Virgin Islands, and Puerto Rico. These licenses include not only the PayPal branded products and services in these states, but also our Braintree, Venmo, and Xoom products and services. We may also maintain such licenses for certain companies that we have recently acquired, such as Hyperwallet. As a licensed money transmitter, PayPal is subject to restrictions with respect to the investment of customer funds, reporting requirements, bonding requirements, and inspection by state regulatory agencies. Accordingly, if we violate these laws or regulations, we could be subject to liability and/or additional restrictions, forced to cease doing business with residents of certain states, forced to change our business practices, or required to obtain additional licenses or regulatory approvals, which could impose substantial costs.

While we currently allow our customers with payment cards to send payments from approximately 200 markets, we allow customers in only approximately half of those markets (including the U.S.) to also receive payments, in some cases with significant restrictions on the manner in which customers can withdraw funds. These limitations may adversely affect our ability to grow our business in these markets.

We principally provide our services to customers in the EU through PayPal (Europe) S.a.r.l. et Cie., SCA (“PayPal (Europe)”), our wholly-owned subsidiary that is licensed and subject to regulation as a credit institution in Luxembourg. Accordingly, PayPal (Europe) is subject to significant fines or other enforcement action if it violates the disclosure, reporting, anti-money laundering, capitalization, fund management, corporate governance, privacy, data protection, information security, banking secrecy, taxation, sanctions, or other requirements imposed on Luxembourg banks. In addition, EU laws and regulations are typically subject to different and potentially inconsistent interpretations by the countries that are members of the EU, which can make compliance more costly and operationally difficult to manage. Moreover, the countries that are EU members may each have different and potentially inconsistent domestic regulations implementing European Directives, including the EU Payment Services Directive and the E-Money Directive, which could make compliance more costly and operationally difficult to manage. The Revised Payment Services Directive (“PSD2”) entered into force in January 2016 and is in the process of being implemented into national legislation, with certain requirements effective January 13, 2018. However, a number of EU member states have not yet fully implemented PSD2 into domestic legislation. Luxembourg, which is the home member state of PayPal (Europe), implemented PSD2 on July 28, 2018. The implementation of PSD2 may negatively affect our business. PSD2 seeks to enable new payment models whereby a newly formed category of regulated payment provider would be able to access bank and payment accounts (including PayPal accounts) for the purposes of accessing account information or initiating a payment on behalf of a customer. Such access could subject us to data security and other legal and financial risks and could create new competitive forces and new types of competitors in the European payments market. PSD2 seeks to regulate more online platforms that handle payments for their sellers. PayPal merchants with affected business models which are not licensed, or which do not benefit from exemptions or integrate a compliant marketplaces solution may not be able to offer PayPal products in the future. PSD2 also imposes new standards (coming into force on September 14, 2019) for payment security and strong customer authentication that may make it more difficult and time consuming to carry out a PayPal transaction, which may adversely impact PayPal’s customer value proposition and its European business.

If the business activities of PayPal (Europe) exceed certain thresholds, or if the European Central Bank (“ECB”) so determines, PayPal (Europe) may be deemed a significant supervised entity such that some activity of PayPal (Europe) could become directly regulated by the ECB rather than the Luxembourg regulator (the “CSSF”), as its national supervisor, which could subject us to additional requirements and would likely increase compliance costs.

In many of the other markets outside the U.S. in which we do business, we serve our customers through PayPal Pte. Ltd., our wholly-owned subsidiary based in Singapore. PayPal Pte. Ltd. is supervised by the Monetary Authority of Singapore and designated as a holder of a stored value facility, but does not hold a remittance license. As a result, PayPal Pte. Ltd. is not able to offer outbound remittance payments (including donations to charities) from Singapore, and can only offer payments for the purchase of goods and services in Singapore. In many of the markets (other than Singapore) served by PayPal Pte. Ltd., it is unclear and uncertain whether our Singapore-based service is subject only to Singapore law or, if it is subject to the application of local laws, whether such local laws would require a payment processor like us to be licensed as a payments service, bank, financial institution, or otherwise. Payment services legislation currently pending in Singapore may change how PayPal Pte. Ltd. is regulated and, if such legislation is passed, our compliance and operating costs will likely increase.

In certain markets outside the U.S. (e.g., Australia), we provide our services to customers through a local subsidiary subject to local regulatory supervision or oversight, which may be the holder of a local payment license, certification, or other authorization. In such markets, we may be subject to significant fines or other enforcement action if we violate applicable reporting, anti-money laundering, capital requirements, privacy, corporation governance, risk management, or any other applicable requirements.

We have been, and expect to continue to be, required to apply for various licenses, certifications, and regulatory approvals in a number of the jurisdictions where we provide our services, including due to changes in applicable laws and regulations or the interpretation of such laws and regulations. There can be no assurance that we will be able to (or decide to) obtain any such licenses, certifications, and approvals. In addition, there are substantial costs and potential product changes involved in maintaining and renewing such licenses, certifications, and approvals, and we could be subject to fines or other enforcement action if we are found to violate disclosure,



reporting, anti-money laundering, capitalization, corporate governance, or other requirements of such licenses. These factors could impose substantial additional costs, involve considerable delay to the development or provision of our products or services, require significant and costly operational changes, or prevent us from providing our products or services in a given market.

In many countries, it may not be clear whether we are required to be licensed as a payment services provider, bank, financial institution, or otherwise. In such markets, we may rely on local banks to process payments and conduct foreign exchange transactions in local currency. Local regulators may use their power to slow or halt payments to local merchants conducted through local banks or otherwise prohibit or impede us from doing business in a jurisdiction. Such regulatory actions or the need to obtain licenses, certifications, or other regulatory approvals could impose substantial costs, involve considerable delay to the provision or development of our services, require significant and costly operational changes, impose restrictions, limitations, or additional requirements on our business, or prevent us from providing any products or services in a given market.

#### *Consumer Protection*

We are subject to consumer protection laws and regulations in the countries in which we operate. In the U.S., we are subject to federal and state consumer protection laws and regulations applicable to our activities, including the Electronic Fund Transfer Act (“EFTA”) and Regulation E as implemented by the Consumer Financial Protection Bureau (“CFPB”). These regulations require us to provide advance disclosure of changes to our services, follow specified error resolution procedures, and reimburse consumers for losses from certain transactions not authorized by the consumer, among other requirements. Additionally, technical violations of consumer protection laws could result in the assessment of actual damages or statutory damages or penalties of up to \$1,000 in individual cases or up to \$500,000 per violation in any class action and treble damages in some instances; we could also be liable for plaintiffs’ attorneys’ fees in such cases. We are subject to, and have paid amounts in settlement of, lawsuits containing allegations that our business violated the EFTA and Regulation E or otherwise advance claims for relief relating to our business practices (e.g., that we improperly held consumer funds or otherwise improperly limited consumer accounts).

In October 2016, the CFPB issued a final rule on prepaid accounts. The rule’s definition of prepaid account includes certain accounts that are capable of being loaded with funds and whose primary function is to conduct transactions with multiple, unaffiliated merchants, at ATMs and/or for person-to-person transfers, including certain digital wallets. The rule’s requirements include: the disclosure of fees and other information to the consumer prior to the creation of a prepaid account; the extension of Regulation E liability limits and error-resolution requirements to all prepaid accounts; the application of Regulation Z credit card requirements to prepaid accounts with overdraft and credit features; and the submission of prepaid account agreements to the CFPB and their publication to the general public. In April 2017, the CFPB delayed the effective date of the final rule on prepaid accounts to April 1, 2018, and indicated that it would review, among other issues, the linking of credit cards to digital wallets that are capable of storing funds. In June 2017, the CFPB released proposed changes to its final rule, and in January 2018, the CFPB issued its final rule, modifying some aspects of the rule, with an overall effective date of April 1, 2019. We are in the process of implementing certain changes to comply with the final rule. We expect that such implementation will require us to make substantial changes to the design of certain U.S. consumer accounts and their operability, which could lead to customer dissatisfaction, require us to reallocate resources, and increase our costs, which could negatively affect our business.

In May 2015, we entered into a Stipulated Final Judgment and Consent Order (“Consent Order”) with the CFPB in which we settled regulatory claims arising from PayPal Credit practices between 2011 and 2015. The Consent Order included obligations on PayPal to pay \$15 million in redress to consumers and a \$10 million civil monetary penalty, and required PayPal to make various changes to PayPal Credit disclosures and related business practices. We continue to cooperate and engage with the CFPB and work to ensure compliance with the Consent Order, which may result in us incurring additional costs.

PayPal (Europe) principally offers its services in EU countries through a “passport” notification process through the Luxembourg regulator to regulators in other EU member states pursuant to EU regulations. Regulators in these countries could notify PayPal (Europe) of local consumer protection laws that apply to its business, in addition to Luxembourg consumer protection law, and could also seek to persuade the Luxembourg regulator to order PayPal (Europe) to conduct its or the PayPal group's activities in the local country directly or through a branch office. These or similar actions by these regulators could increase the cost of, or delay, our plans to expand our business in EU countries.

#### *Economic and Trade Sanctions*

We are required to comply with U.S. economic and trade sanctions administered by OFAC and the Council of the European Union, respectively. We have self-reported to OFAC certain transactions that were inadvertently

processed but subsequently identified as possible violations of U.S. economic and trade sanctions. In March 2015, we reached a settlement with OFAC regarding possible violations arising from our sanctions compliance practices between 2009 and 2013, prior to the implementation of our real-time transaction scanning program. Subsequently, we have self-reported additional transactions as possible violations, and we have received new subpoenas from OFAC seeking additional information about certain of these transactions. Such self-reported transactions could result in claims or actions against us, including litigation, injunctions, damage awards, fines or penalties, or require us to change our business practices in a manner that could result in a material loss, require significant management time, result in the diversion of significant operational resources, or otherwise harm our business.

#### *Anti-Money Laundering and Counter-Terrorist Financing*

We are subject to various anti-money laundering and counter-terrorist financing laws and regulations around the world that prohibit, among other things, our involvement in transferring the proceeds of criminal activities. Regulators in the U.S. and other regulators globally continue to increase their scrutiny of compliance with these obligations, which may require us to further revise or expand our compliance program, including the procedures we use to verify the identity of our customers and to monitor international and domestic transactions. Many countries in which we operate also have anti-money laundering and counter-terrorist financing laws and regulations, and we have been and will continue to be required to make changes to our compliance program in various jurisdictions in response. Regulators regularly re-examine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of customers and any change in such thresholds could result in greater costs for compliance. In the EU, the implementation of the Fourth Anti-Money Laundering Directive and the regulation on information accompanying transfer of funds (commonly known as the Revised Wire Transfer Regulation) may make compliance more costly and operationally difficult to manage, lead to increased friction for customers, and result in a decrease in business. Penalties for non-compliance with the Fourth Anti-Money Laundering Directive could include fines of up to 10% of PayPal (Europe)'s total annual turnover. On April 19, 2018, the European Parliament adopted the European Commission's proposal for a Fifth Anti-Money Laundering Directive, containing more stringent provisions in certain areas, which may also increase compliance costs.

#### *Privacy and Protection of User Data*

We are subject to a number of laws, rules, directives, and regulations (which we refer to as "privacy laws") relating to the collection, use, retention, security, processing, and transfer (which we refer to as "process") of personally identifiable information about our customers and employees (which we refer to as "personal data") in the countries where we operate. Our business relies on the processing of data in many jurisdictions and the movement of data across national borders. As a result, much of the personal data that we process, especially financial information, is regulated by multiple privacy laws and, in some cases, the privacy laws of multiple jurisdictions. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between or among us, our subsidiaries, and other parties with which we have commercial relationships.

Regulatory scrutiny of privacy, data protection, and the collection, storage, use, and sharing of personal data is increasing around the world. There is uncertainty associated with the legal and regulatory environment relating to privacy and data protection laws, which continue to develop in ways we cannot predict, including with respect to evolving technologies such as cloud computing and blockchain technology.

Any failure, or perceived failure, by us to comply with our privacy policies and communicated to users prior to our collection, use, storage and transfer, and disclosure of their personal data, with applicable industry data protection or security standards, with any applicable regulatory requirements or orders, or with privacy, data protection, information security, or consumer protection-related laws and regulations in one or more jurisdictions could result in proceedings or actions against us by data protection authorities (which we refer to as "supervisory authorities"), governmental entities or others, including class action privacy litigation in certain jurisdictions, would subject us to significant awards, fines, penalties, judgments, and negative publicity arising from any financial or non-financial damages suffered by any individuals. This could, individually or in the aggregate, materially harm our business. Specifically, this would likely require us to change our business practices, and would increase the costs and complexity of compliance. In addition, compliance with inconsistent privacy laws may restrict our ability to provide products and services to our customers.

PayPal relies on a variety of compliance methods to transfer personal data of EU citizens to the U.S., including reliance on Binding Corporate Rules ("BCRs") for internal transfers of certain types of personal data and Standard Contractual Clauses ("SCCs") as approved by the European Commission for transfers to and from third parties. PayPal must also ensure that third parties processing personal data of PayPal's EU customers and/or

employees outside of the EU have compliant transfer mechanisms. In October 2015, the European Court of Justice invalidated U.S.-EU Safe Harbor framework clauses that were previously relied upon by some PayPal vendors to lawfully transfer personal data of EU citizens to U.S. companies, and PayPal entered into SCCs with those third parties who had previously relied on the U.S.-EU Safe Harbor framework. In July 2016, the U.S. and EU authorities agreed on a replacement for Safe Harbor known as “Privacy Shield.” Both the Privacy Shield framework and SCCs are facing legal challenges in the European justice system. To the extent that the Privacy Shield or SCCs are invalidated, PayPal’s ability to process EU personal data with third parties outside of the EU could be jeopardized.

In 2016, the EU adopted the General Data Protection Regulation (“GDPR”), which became effective in May 2018. The EU data protection regime expands the scope of the EU data protection law to all foreign companies processing personal data of EU residents, imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide turnover or €20 million, and includes new rights such as the “portability” of personal data. Although the GDPR applies across the EU without a need for local implementing legislation, each EU member state has the ability to interpret the GDPR opening clauses, which permit region-specific data protection legislation and have the potential to create inconsistencies on a country-by-country basis. Implementation of the GDPR has required us to change our business practices and increased the costs and complexity of compliance.

PayPal also faces additional potential challenges from local data protection agencies (“DPAs”). Because PayPal (Europe) is headquartered in Luxembourg and subject to regulation as a bank in that jurisdiction, we have relied on the “one-stop-shop” concept under which Luxembourg has been our lead data protection regulator in the EU. However, a 2015 European Court of Justice ruling (*Weltimmo*) affecting companies that do business in the EU potentially could make us subject to the local data protection laws or regulatory enforcement activities of the various EU member states in which we have established legal entities and which apply privacy laws that are different than, and may conflict with, Luxembourg privacy laws.

In addition, because of the large number of text messages, emails, phone calls, and other communications we send or make to our customers for various business purposes, communication-related privacy laws that provide a specified monetary damage award or fine for each violation could result in particularly significant damage awards or fines. For example, under the Telephone Consumer Protection Act (“TCPA”), in the U.S., plaintiffs may seek actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may triple the damage award for willful or knowing violations. We have been, and may continue to be subject to lawsuits (including class-action lawsuits) containing allegations that our business violated the TCPA. These lawsuits seek damages (including statutory damages) and injunctive relief, among other remedies. Given the large number of communications we send to our customers, a determination that there have been violations of the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business.

***If one or more of our counterparty financial institutions default on their financial or performance obligations to us or fail, we may incur significant losses.***

We have significant amounts of cash, cash equivalents, and other investments on deposit or in accounts with banks or other financial institutions in the U.S. and abroad. As part of our currency hedging activities, we enter into transactions involving derivative financial instruments with various financial institutions. Certain banks and financial institutions are also lenders under our credit facilities. We regularly monitor our exposure to counterparty credit risk, and actively manage this exposure to mitigate the associated risk. Despite these efforts, we may be exposed to the risk of default by, or deteriorating operating results or financial condition or failure of, these counterparty financial institutions. The risk of counterparty default, deterioration, or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default or to access or recover our assets that are deposited or held in accounts with such counterparty may be limited by the counterparty’s liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition.

***PayPal is not a bank or licensed lender in the U.S. and relies upon third parties to make loans and provide other products critical to our business, which raises additional risks.***

As PayPal is neither a chartered financial institution, nor licensed to make loans in any state in the U.S., we rely on third-party chartered financial institutions to provide PayPal branded credit products to our customers in the U.S., including consumer credits products such as PayPal Credit and PayPal branded Mastercard credit cards, and business credit products such as PayPal Working Capital and PayPal Business Loan products. Any

termination or interruption in a partner bank's ability or willingness to lend could interrupt, potentially materially, our ability to offer consumer and business loan products, which could materially and adversely affect our business. In the event of a partner bank's inability or unwillingness to lend, we may need to reach a similar agreement with another chartered financial institution or obtain our own bank charter or lending licenses. We may be unable to reach a similar agreement with another partner on favorable terms or at all. Obtaining a bank charter or lending licenses would be a costly, time-consuming and uncertain process, and would subject us to additional laws and regulatory requirements, which could be burdensome, increase our costs, and require us to change our business practices. In addition, as a service provider to these bank partners, which are federally supervised U.S. financial institutions, we are subject from time to time to examination by their federal banking regulators.

In July 2018, we completed the sale of our U.S. consumer credit receivables portfolio to Synchrony Bank, for total consideration of \$6.9 billion. The purchase price is subject to a post-closing true-up and certain other adjustments under the terms of the purchase agreement. As a part of a separate agreement, PayPal earns a revenue share on the portfolio of consumer receivables owned by Synchrony Bank, which includes both the sold and newly generated receivables and we will not hold an ownership interest in newly generated consumer credit receivables. It may take us longer than expected to realize the anticipated benefits of the transaction, and those benefits may ultimately be smaller than anticipated or may not be realized at all, which could adversely affect our business and operating results. In addition, our increased reliance on Synchrony Bank subjects us to risks in the nature of those discussed in this "Risk Factors" section under the caption "We rely on third parties in many aspects of our business, which creates additional risk."

***Our ability to receive the benefit of our business finance offerings may be subject to challenge.***

Business loans under our PayPal Working Capital and PayPal Business Loan products are provided by a state chartered industrial bank under a program agreement with us. We acquire the receivables generated by those loans after they are originated.

A case decided in the U.S. Court of Appeals for the Second Circuit, *Madden v. Midland Funding, LLC* (786 F.3d 246 (2d Cir. 2015)), resulted in some uncertainty as to whether non-bank entities purchasing loans originated by a bank may rely on federal preemption of state usury laws, and may create an increased risk of litigation by plaintiffs challenging our ability to collect interest and fees in accordance with the terms of certain loans. Although the decision specifically addressed preemption under the National Bank Act, this decision could support future challenges to federal preemption for other institutions, including FDIC-insured, state chartered industrial banks like the issuing bank of loans under PayPal Working Capital and PayPal Business Loan products. After the Madden decision, there continue to be a number of U.S. state and federal court legal actions challenging the viability of business models where a non-bank entity enters into a relationship with a third-party chartered financial institution for the issuance of credit products. While we believe the manner in which PayPal branded credit products are offered can be distinguished from Madden, there can be no assurance as to the outcome of any potential litigation, and an adverse determination could materially and adversely impact our PayPal Working Capital and PayPal Business Loan products and our business.

***Some of our credit products expose us to additional risks.***

We offer our PayPal Credit consumer product and our PayPal Working Capital and PayPal Business Loan products to a wide range of consumers and merchants in various markets, and the financial success of these products depends on the effective management of related risk. The credit decisioning process for the PayPal Credit consumer product in markets outside the U.S. uses proprietary segmentation and credit algorithms and other analytical techniques designed to analyze the credit risk of specific consumers based on, among other factors, their past purchasing and payment history with PayPal as well as their credit scores. Similarly, proprietary risk models and other indicators are applied to assess merchants who wish to use our business finance offerings to help predict their ability to repay. These risk models may not accurately predict the creditworthiness of a consumer or merchant due to factors such as inaccurate assumptions, including assumptions related to the particular consumer or merchant, market conditions, economic environment, or limited transaction history or other data, among other factors. The accuracy of these risk models and the ability to manage credit risk related to our credit products may also be affected by legal or regulatory requirements, competitors' actions, changes in consumer behavior, changes in the economic environment, and other factors. Our international expansion of our credit product offerings also exposes us to additional risks, including those discussed in the risk factor captioned "Our international operations subject us to increased risks, which could harm our business."

Like other businesses with significant exposure to losses from merchant credit, we face the risk that account holders will default on their payment obligations, creating the risk of potential charge-offs. We face similar risks

with respect to U.S. consumer credit losses through the profit sharing relationship with Synchrony Bank. The non-payment rate among account holders may increase due to, among other things, changes to underwriting standards, worsening economic conditions, such as a recession or government austerity programs, increases in prevailing interest rates, and high unemployment rates. Account holders who miss payments often fail to repay their loans, and account holders who file for protection under the bankruptcy laws generally do not repay their loans.

We currently purchase receivables related to the PayPal branded merchant credit products in the U.S. If we are unable to fund our purchase of these receivables adequately or in a cost-effective manner, or if we are unable to efficiently manage the cash resources utilized for these purposes, our business could be harmed.

***Catastrophic events or geopolitical conditions may disrupt our business***

War, terrorism, political events, geopolitical instability, trade barriers and restrictions, public health issues, natural disasters, or other catastrophic events have caused and could cause damage or disruption to the economy and commerce on a global, regional or country-specific basis, which could have a material adverse effect on our business, our customers, and companies with which we do business. Such events could decrease demand for our products and services or make it difficult or impossible for us to deliver products and services to our customers. Our corporate headquarters are located in the Silicon Valley, which is a seismically active region in California. Our business operations are subject to interruption by, among others, natural disasters, fire, power shortages, earthquakes, floods, nuclear power plant accidents, and events beyond our control such as other industrial accidents, terrorist attacks and other hostile acts, labor disputes and public health issues. A catastrophic event that results in a disruption or failure of our systems or operations could result in significant losses and require substantial recovery time and significant expenditures in order to resume or maintain operations, which could have a material adverse impact on our business, financial condition, and results of operations.

***Changes to our buyer and seller protection programs could increase our loss rate.***

Our buyer and seller protection programs protect merchants and consumers from fraudulent transactions, and consumers if they do not receive the item ordered or if the item received is significantly different from its description. In addition, consumers who pay through PayPal may have reimbursement rights from their payment card issuer (usually a bank), which in turn will seek recovery from us. The risk of losses from our buyer and seller protection programs are specific to individual buyers, sellers, and transactions, and may also be impacted by regional variations to these programs, modifications to these programs resulting from changes in regulatory requirements, or changes that we decide to implement, such as expanding the scope of transactions covered by one or more of these programs. Increases in our loss rate, including as a result of changing our buyer and seller protection programs, could harm our business.

***Our international operations subject us to increased risks, which could harm our business.***

Our international operations have generated approximately one-half of our net revenues in recent years. There are risks inherent in doing business internationally on both a domestic (i.e., in-country) and cross-border basis, including, but not limited to:

- foreign currency and cross-border trade risks discussed earlier in this “Risk Factors” section under the captions “We are exposed to fluctuations in foreign currency exchange rates” and “Any factors that reduce cross-border trade or make such trade more difficult could harm our business”;
- risks related to other government regulation or required compliance with local laws;
- local licensing and reporting obligations;
- obligations to comply with local regulatory and legal obligations related to privacy, data security, and data localization;
- expenses associated with localizing our products and services, including offering customers the ability to transact business in the local currency, and adapting our products and services to local preferences (e.g., payment methods) with which we may have limited or no experience;
- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;

- profit repatriation restrictions, foreign currency exchange restrictions, or extreme fluctuations in foreign currency exchange rates for a particular currency;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, public health issues, acts of war, and terrorism;
- import or export regulations;
- compliance with U.S. laws and foreign laws prohibiting corrupt payments to government officials, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, and other local anticorruption laws;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- antitrust and competition regulations;
- potentially adverse tax developments and consequences;
- economic uncertainties relating to sovereign and other debt;
- national or regional differences in macroeconomic growth rates;
- different, uncertain, overlapping, or more stringent user protection, data protection, privacy, and other laws and regulations; and
- increased difficulties in collecting accounts receivable.

Violations of the complex foreign and U.S. laws, rules and regulations that apply to our international operations may result in fines, criminal actions, or sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, or agents will not violate our policies. These risks are inherent in our international operations and expansion, may increase our costs of doing business internationally, and could harm our business.

***We are exposed to fluctuations in interest rates.***

We are exposed to interest rate risk from our investment portfolio and from interest-rate sensitive assets, including assets underlying the customer balances we hold on our balance sheet as customer accounts. A low interest rate environment or reductions in interest rates may negatively impact our investment income and our net income. In addition, fluctuations in interest rates may adversely impact our customers' spending levels and ability and willingness to pay outstanding amounts owed to us. Higher interest rates often lead to higher payment obligations by customers to us and other lenders under mortgage, credit card, and other consumer and merchant loans, which may reduce our customers' ability to remain current on their obligations to us and therefore lead to increased delinquencies, charge-offs, and allowance for loan and interest receivable which could have an adverse effect on our net income.

We have entered into a revolving credit facility and a 364-day delayed-draw term loan credit facility. We have borrowed under these credit facilities from time to time, and any borrowings under these credit facilities bear interest at a floating rate, exposing us to interest rate fluctuations.

***Use of our payments services for illegal purposes could harm our business.***

Our payment system is susceptible to potentially illegal or improper uses, including money laundering, terrorist financing, illegal online gambling, fraudulent sales of goods or services, illegal sales of prescription medications or controlled substances, piracy of software, movies, music, and other copyrighted or trademarked goods (in particular, digital goods), bank fraud, child pornography human trafficking, prohibited sales of alcoholic beverages or tobacco products, securities fraud, pyramid or ponzi schemes, or to facilitate other illegal activity. Use of our payment system for illegal or improper uses has subjected us, and may subject us in the future, to claims, individual and class action lawsuits, and government and regulatory investigations, inquiries, or requests that could result in liability and reputational harm for us. Moreover, certain activity that may be legal in one jurisdiction may be illegal in another jurisdiction, and a merchant may intentionally or inadvertently be found responsible for importing or exporting illegal goods, resulting in liability for us. Changes in law have increased the penalties for intermediaries providing payment services for certain illegal activities, and government authorities may consider additional payments-related proposals from time to time. Owners of intellectual property rights or government authorities may seek to bring legal action against providers of payments solutions, including PayPal, that are peripherally involved in the sale of infringing or allegedly infringing items. Any

threatened or resulting claims could result in reputational harm, and any resulting liabilities, loss of transaction volume, or increased costs could harm our business.

***Our failure to manage our customer funds and the assets underlying our customer funds properly could harm our business.***

We hold a substantial amount of funds belonging to our customers, including balances in customer accounts and funds being remitted to sellers of goods and services or recipients of person to person (“P2P”) transactions. In certain jurisdictions where we operate, we are required to hold eligible liquid assets, as defined by the relevant regulators in each jurisdiction, equal to at least 100% of the aggregate amount of all customer balances. Our ability to manage and account accurately for the assets underlying our customer funds and comply with applicable liquid asset requirements requires a high level of internal controls. As our business continues to grow and we expand our product offerings, we must continue to strengthen our associated internal controls. PayPal (Europe), with the permission of the CSSF, utilizes certain European customer balances held by our Luxembourg banking subsidiary to fund credit balances relating to certain customers. Our success requires significant public confidence in our ability to properly manage our customers’ balances and handle large and growing transaction volumes and amounts of customer funds. Any failure to maintain the necessary controls or to manage our customer funds and the assets underlying our customer funds accurately and in compliance with applicable regulatory requirements could result in reputational harm, lead customers to discontinue or reduce their use of our products and result in significant penalties and fines, which could materially harm our business.

***We are subject to regulatory activity and antitrust litigation under competition laws.***

We are subject to scrutiny by various government agencies under U.S. and foreign laws and regulations, including antitrust and competition laws. An increasing number of governments are actively enforcing competition laws and regulations. Some jurisdictions also provide private rights of action for competitors or consumers to assert claims of anticompetitive conduct. Other companies and government agencies have in the past and may in the future allege that our actions violate the antitrust or competition laws of the U.S., individual states, other countries, or the European Commission, or otherwise constitute unfair competition. Our business agreements or arrangements with customers or other companies could give rise to regulatory action or antitrust litigation. Some regulators, particularly those outside of the U.S., may perceive that our products and services are used so broadly that otherwise uncontroversial business practices could be deemed anticompetitive. Any claims or investigations, even if without merit, may be very expensive to defend or respond to, involve negative publicity, and substantial diversion of management time and effort, and could result in reputational harm, significant judgments, fines or remedial actions against us, or require us to change our business practices.

***We are subject to patent litigation.***

We have been sued repeatedly for allegedly infringing other parties’ patents. At any given time, we are typically a defendant in a number of patent lawsuits. We expect that we will continue to be subject to patent infringement claims because, among other reasons:

- our products and services continue to expand in scope and complexity and to converge with technologies not previously associated with the payments space;
- we continue to expand into new business areas, including through acquisitions; and
- the number of patent owners who may claim that we, any of the companies that we have acquired, or our customers infringe their patents, and the aggregate number of patents controlled by such patent owners, continues to increase.

Such claims may be brought directly against us or against our users whom we may indemnify because we are contractually obligated to do so or we choose to do so as a business matter. We believe that many of the claims against us and other technology companies have been, and continue to be, initiated by third parties whose sole or primary business is to assert such claims. In addition, we have seen significant patent disputes between operating companies in some technology industries. Patent claims, whether meritorious or not, are time-consuming and costly to manage, defend, and resolve, and could require us to make expensive changes in our methods of doing business, enter into costly royalty or licensing agreements, make substantial payments to satisfy adverse judgments or settle claims or proceedings, or cease conducting certain operations, which would harm our business.

***We may be unable to adequately protect or enforce our intellectual property rights, or third parties may allege that we are infringing their intellectual property rights.***

The protection of our intellectual property, including our trademarks, patents, copyrights, domain names, trade dress, and trade secrets, is important to the success of our business. We seek to protect our intellectual property rights by relying on applicable laws and regulations in the U.S. and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights when offering or procuring products and services, including confidentiality and invention assignment agreements entered into with our employees and contractors and confidentiality agreements with parties with whom we conduct business.

Effective intellectual property protection may not be available in every country in which we offer our products and services. We may be required to expend significant time and expense in order to prevent infringement or to enforce our rights.

Although we have generally taken measures to protect our intellectual property rights, there can be no assurance that we will be successful in protecting or enforcing our rights in every jurisdiction, or that contractual arrangements and other steps that we have taken to protect our intellectual property will prevent third parties from infringing or misappropriating our intellectual property or deter independent development of equivalent or superior intellectual property rights by others. If we are unable to prevent third parties from adopting, registering, or using trademarks and trade dress that infringe, dilute, or otherwise violate our trademark rights, the value of our brands could be diminished and our business could be adversely affected. Also, we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to others. These licensees may take actions that diminish the value of our proprietary rights or harm our reputation. Any failure to adequately protect or enforce our intellectual property rights, or significant costs incurred in doing so, could diminish the value of our intangible assets and materially harm our business.

As the number of products in the technology and payments industries increases and the functionality of these products further overlaps, and as we acquire technology through acquisitions or licenses, we may become increasingly subject to intellectual property infringement and other claims. Litigation may be necessary to determine the validity and scope of the patent and other intellectual property rights of others. The ultimate outcome of any allegation is often uncertain and, regardless of the outcome, any such claim, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention from our business, and require us to, among other things, redesign or stop providing our products or services, pay substantial amounts to satisfy judgments or settle claims or lawsuits, pay substantial royalty or licensing fees, or satisfy indemnification obligations that we have with certain parties with whom we have commercial relationships. Our failure to obtain necessary license or other rights, or litigation or claims arising out of intellectual property matters, may harm or restrict our business.

***We are regularly subject to general litigation, regulatory actions, and government inquiries.***

We are regularly subject to claims, individual and class action lawsuits, government and regulatory investigations, inquiries, actions or requests, and other proceedings alleging violations of laws, rules and regulations with respect to competition, antitrust, intellectual property, privacy, data protection, information security, anti-money laundering, counter-terrorist financing, sanctions, anti-corruption, consumer protection, fraud, accessibility, securities, tax, labor and employment, commercial disputes, services, charitable fundraising, contract disputes, escheatment of unclaimed or abandoned property and other matters. In particular, our business faces ongoing consumer protection and intellectual property litigation, as discussed above. The number and significance of these disputes and inquiries may increase as our business expands in scale, scope and geographic reach, and our products and services increase in scale and complexity. In addition, the laws, rules and regulations affecting our business, including those pertaining to internet and mobile commerce, data protection, payments services, and credit, are subject to ongoing interpretation by the courts and governmental authorities, and the resulting uncertainty in the scope and application of these laws, rules, and regulations increases the risk that we will be subject to private claims and governmental actions alleging violations.

The scope, outcome, and impact of claims, lawsuits, government investigations, disputes, and proceedings to which we are subject cannot be predicted with certainty. Regardless of the outcome, such matters can have an adverse impact, which may be material, on our business, results of operations, or financial condition because of legal costs, diversion of management resources, reputational damage, and other factors. Determining reserves for our pending litigation and regulatory proceedings is a complex, fact-intensive process that involves a high degree of judgment. Resolving one or more of such legal and regulatory proceedings or other matters could potentially require us to make substantial payments to satisfy judgments, fines, or penalties or to settle claims or proceedings, any of which could materially and adversely affect our business, results of operations, or financial



condition. These proceedings could also result in reputational harm, criminal sanctions, consent decrees, or orders that prevent us from offering certain products or services, require us to change our business practices in costly ways, or develop non-infringing or otherwise altered products or technologies. Any of these consequences could materially and adversely affect our business, results of operations, and financial condition.

While certain of our customer agreements contain arbitration provisions with class action waiver provisions that may limit our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing these arbitration provisions, including the class action waiver provisions, in the future or in any given case. Legislative, administrative, or regulatory developments may directly or indirectly prohibit or limit the use of pre-dispute arbitration clauses and class action waiver provisions. Any such prohibitions or limitations on or discontinuation of the use of, such arbitration or class action waiver provisions could subject us to additional lawsuits, including additional consumer class action litigation, and significantly limit our ability to avoid exposure from consumer class action litigation.

***Changes in U.S. tax laws could have a material adverse effect on our business, cash flow, results of operations, and financial conditions.***

On December 22, 2017, the U.S. government enacted comprehensive Federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). The Tax Act made changes to the corporate tax rate, business-related deductions, and taxation of foreign earnings, among others, that are generally effective for taxable years beginning after December 31, 2017. Throughout calendar year 2018, the U.S. Treasury and certain states issued proposed and final legislation and clarifying guidance with respect to the various provisions of the Tax Act. Additional legislation and guidance is expected to be issued in 2019, which could have a material adverse impact on the value of our U.S. deferred tax assets, result in significant changes to currently computed income tax liabilities for past and current tax periods, and increase our future U.S. tax expense. We are continuing to evaluate the Tax Act and its requirements, as well as its application to our business and its impact on our effective tax rate. At this stage, it is unclear how many U.S. states will continue to incorporate these federal law changes, or portions thereof, into their tax codes. The implementation by us of new practices and processes designed to comply with, and benefit from, the Tax Act and its rules and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, which could negatively affect our business, results of operations, and financial condition.

***We may have exposure to greater than anticipated tax liabilities.***

The determination of our worldwide provision for income taxes and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. For example, compliance with the Tax Act may require the collection of information not regularly produced within the Company, the use of estimates in our financial statements, and the exercise of significant judgment in accounting for its provisions.

Like many other multinational corporations, we are subject to tax in multiple U.S. and foreign tax jurisdictions. Our determination of our tax liability is always subject to audit and review by applicable domestic and foreign authorities, and we are currently undergoing a number of investigations, audits, and reviews by authorities throughout the world. Any adverse outcome of any such audit or review could have a negative effect on our business, and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the periods for which such determination is made. While we have established reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, these reserves may prove to be insufficient.

In addition, our future income taxes could be adversely affected by earnings being lower than anticipated, or by the incurrence of losses, in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates; by changes in the valuation of our deferred tax assets and liabilities, as a result of gains on our foreign exchange risk management program; or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

Various levels of government, such as U.S. federal and state legislatures, and international organizations, such as the Organization for Economic Co-operation and Development (“OECD”) and the EU, are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue. Any such tax reform or other legislative or regulatory actions could increase our effective tax rate.

***We and our merchants may be subject to sales reporting and record-keeping obligations.***

A number of U.S. states, the U.S. federal government and foreign countries have implemented or are in the process of implementing reporting or record-keeping obligations on companies that engage in or facilitate

ecommerce to improve tax compliance. Additionally, a number of jurisdictions are reviewing whether payment service providers and other intermediaries could be deemed to be the legal agent of merchants for certain tax purposes. We have modified our systems to meet known requirements and expect further modifications will be required to comply with future requirements, which may negatively impact our customer experience and increase operational costs. Any failure by us to comply with these and similar reporting and record-keeping obligations could result in substantial monetary penalties and other sanctions, adversely impact our ability to do business in certain jurisdictions, and harm our business. In addition, in June 2018, the U.S. Supreme Court ruled in *South Dakota v. Wayfair, Inc.* that states may collect internet sales tax on online purchases made outside of the state, which could adversely affect some of our merchants and indirectly harm our customers.

***Acquisitions, joint ventures, strategic investments, and other strategic transactions could result in operating difficulties and could harm our business.***

Acquisitions, joint ventures, strategic investments, and other strategic transactions are important elements of our overall corporate strategy. We expect to continue to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions, and dispositions of certain businesses, technologies, services, products, and other assets, as well as joint ventures, strategic investments, and commercial and strategic partnerships. These transactions may involve significant challenges, uncertainties and risks, including:

- the potential loss of key customers, vendors, and other key business partners of the companies we acquire, or dispose of, following and continuing after announcement of our transaction plans;
- difficulty making strategic hires of new employees, declining employee morale, and retention issues affecting employees (particularly the potential loss of key personnel) of companies that we acquire or dispose of, which may result from changes in compensation, management, reporting relationships, future prospects, or the direction of the acquired or disposed business;
- diversion of management time and focus;
- inability to realize synergies expected to result from an acquisition;
- the need to and difficulty of integrating the operations, systems (including accounting, compliance, management, information, human resource, and other administrative systems), technologies, data assets, products, and personnel of each acquired company, which is an inherently risky and potentially lengthy and costly process;
- the need to and difficulty of implementing and/or enhancing controls, procedures, and policies appropriate for a larger public company at acquired companies which, prior to the acquisition, may have lacked such controls, procedures, and policies or whose controls, procedures, and policies did not meet applicable legal and regulatory standards;
- the inefficiencies and lack of control that may result if integration of acquired companies is delayed or not implemented, and unforeseen difficulties and costs that may arise as a result;
- potential exposure to new or increased regulatory oversight and regulatory obligations associated with new products and services or entry into new markets;
- risks associated with our expansion into new international markets;
- unidentified issues discovered in our due diligence process, including product or service quality issues, intellectual property issues, and legal contingencies;
- risks associated with the complexity of entering into and effectively managing joint ventures, strategic investments, and other strategic partnerships;
- risks associated with undetected cyberattacks or security breaches at companies that we acquire or with which we may combine or partner;
- lawsuits or regulatory actions resulting from the transaction;
- liability for activities or conduct of the acquired company before the acquisition, including legal and regulatory claims or disputes, violations of laws and regulations, commercial disputes, tax liabilities, and other known and unknown liabilities;

- the acquisition of new customer and employee personal information, which in and of itself may require regulatory approval and/or additional controls, policies, and procedures, and subject us to additional exposure and additional complexity and costs of compliance; and
- our dependence on the accounting, financial reporting, operating metrics and similar systems, controls and processes of acquired businesses, and the risk that errors or irregularities in those systems, controls, and processes will lead to errors in our financial statements or make it more difficult to manage the acquired business.

At any given time, we may be engaged in discussions or negotiations with respect to one or more of these or other types of transactions, any of which could, individually or in the aggregate, be material to our financial condition and results of operations. There can be no assurance that we will be successful in identifying, negotiating, and consummating favorable transaction opportunities. It may take us longer than expected to fully realize the anticipated benefits of these transactions, and those benefits may ultimately be smaller than anticipated or may not be realized at all, which could adversely affect our business and operating results. Any acquisitions or dispositions may also require us to issue additional equity securities, spend our cash, or incur debt (and increased interest expense), recognize liabilities, and record amortization expenses related to intangible assets or write-offs of goodwill or intangibles, which could dilute the economic and voting rights of our stockholders and adversely affect our results of operations and the interests of holders of our indebtedness, as applicable.

We completed our acquisition of iZettle AB (publ) (“iZettle”) on September 20, 2018. Prior to the closing of the acquisition, the UK Competition and Markets Authority (“CMA”) initiated a review of the transaction. On December 5, 2018, the CMA referred the acquisition for a Phase 2 investigation and on December 24, 2018, directed PayPal to appoint a monitoring trustee. The deadline for the final decision is May 21, 2019. PayPal is working cooperatively with the CMA and has agreed to hold parts of the PayPal and iZettle businesses separate as agreed with the CMA, pending completion of the CMA’s investigation. Our ability to successfully and timely integrate iZettle’s business and operations with ours and realize the potential synergies and anticipated benefits from the acquisition is subject to the timing and possible outcome of the CMA’s review. The CMA has broad discretion and may impose requirements, limitations or costs, mandate remedies, such as divestitures of certain business assets, or place additional restrictions on the conduct of our businesses, to ensure sufficient competition in the U.K. market. No assurance can be given as to the ultimate impact and outcome of the CMA review, that approval from the CMA will be obtained, or the terms and conditions of such approval.

Because acquisitions are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition. Any acquisitions or dispositions may also require us to issue additional equity securities, spend our cash, or incur debt (and increased interest expense), recognize liabilities, and record amortization expenses related to intangible assets or impairment of goodwill or intangibles, which could dilute the economic and voting rights of our stockholders and adversely affect our results of operations and the interests of holders of our indebtedness, as applicable.

Joint ventures and minority investments inherently involve a lesser degree of influence over business operations, thereby potentially increasing the financial, legal, operational, and/or compliance risks associated with the joint venture or minority investment. In addition, we may be dependent on joint venture partners, controlling shareholders, management or other persons or entities who control them and who may have business interests, strategies or goals that are inconsistent with ours. Business decisions or other actions or omissions of the joint venture partners, controlling shareholders, management or other persons or entities who control joint ventures or companies in which we invest may adversely affect the value of our investment, result in litigation or regulatory action against us, and otherwise damage our reputation and brand.

***There are risks associated with our indebtedness.***

We have incurred indebtedness, and we may incur additional indebtedness in the future. Our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations and generate sufficient cash flows to service such debt. In addition, changes by any rating agency to our outlook or credit rating could negatively affect the value of both our debt and equity securities and increase our borrowing costs. If our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our indebtedness may increase. In addition, any downgrades to our credit ratings may affect our ability to obtain additional financing in the future and may affect the terms of any such financing. Any of these factors could adversely affect our financial condition and results of operations.

***We rely on third parties in many aspects of our business, which creates additional risk.***

We rely on third parties in many aspects of our business, including the following:

- networks, banks, payment processors, and payment gateways that link us to the payment card and bank clearing networks to process transactions;
- unaffiliated third-party lenders to originate the U.S. PayPal Credit and PayPal Mastercard consumer credit products, PayPal Working Capital, and PayPal Business Loan products;
- third parties that provide loan servicing and customer statements processing;
- third parties that provide certain outsourced customer support and product development functions, which are critical to our operations; and
- third parties that provide facilities, infrastructure, components, and services, including data center facilities and cloud computing.

Because we rely on third parties to provide certain of our services and to facilitate certain of our business activities, we face increased operational risk. These third parties may be subject to financial, legal, regulatory, and labor issues, cybersecurity incidents, privacy breaches, service terminations, disruptions or interruptions, or other problems, which may impose additional costs or requirements on us or prevent these third parties from providing services to us or our customers on our behalf, which could harm our business. In addition, these third parties may breach their agreements with us, disagree with our interpretation of contract terms or applicable laws and regulations, refuse to continue or renew these agreements on commercially reasonable terms or at all, fail or refuse to process transactions or provide other services adequately, take actions that degrade the functionality of our services, impose additional costs or requirements on us or our customers, or give preferential treatment to competitive services. There can be no assurance that third parties who provide services directly to us or our customers on our behalf will continue to do so on acceptable terms, or at all. If any third parties do not adequately or appropriately provide their services or perform their responsibilities to us or our customers on our behalf, we may be unable to procure alternatives from other third parties in a timely and efficient manner and on acceptable terms, or at all, and we may be subject to business disruptions, losses or costs to remediate any of the deficiencies, customer dissatisfaction, reputational damage, legal or regulatory proceedings, or other adverse consequences which could harm our business.

***Our retail point of sale solutions expose us to additional risks.***

We have announced several retail point of sale solutions, which enable merchants to accept payments using a payments card reader attached to, or otherwise communicating with, a mobile device or to scan payment cards and codes using the mobile device's embedded camera, and which enable consumers to use their mobile devices to pay at the point of sale. We have entered into strategic partnerships with major payment card networks to further expand our relationship in a way that will make it easier for merchants to accept and consumers to choose to pay for transactions utilizing credit and debit cards via PayPal at the point of sale. Those agreements provide us with access to each of these partner's tokenization services in the U.S. for in-store point-of-sale PayPal transactions, which we expect will increase the number of point of sale transactions that we process. We believe that our recent acquisition of iZettle will enable us to further expand our in-store presence. As we continue to expand our product and service offerings at the retail point of sale, we will face additional risks, including:

- increased expectations from offline retailers regarding the reliability and availability of our systems and services and correspondingly lower amounts of downtime, which we may not be able to meet;
- significant competition at the retail point of sale, particularly from established payment card providers, many of which have substantially greater resources than we do;
- increased targeting by fraudsters; given that our fraud models are less developed in this area, we may experience increases in fraud and associated transaction losses as we adjust to fraudulent activity at the point of sale;
- exposure to product liability claims to the extent that hardware devices that we produce for use at the retail point of sale malfunction or are not in compliance with laws, which could result in substantial liability and require product recalls or other actions;
- exposure to additional laws, rules, and regulations;

- increased reliance on third parties involved with processing in-store payments, including independent software providers, electronic point of sale providers, hardware providers (such as cash register and pin-pad providers), payment processors, and banks that enable in-store transactions; and
- lower operating income than our other payment solutions.

Unless we are able to successfully manage these risks, including driving adoption of, and significant volume through, our retail point of sale solutions over time, our business may be harmed.

***Our success largely depends on key personnel. Because competition for our key employees is intense, we may not be able to attract, retain, and develop the highly skilled employees we need to support our business. The loss of key personnel could harm our ability to maintain and grow our business.***

Our future success and performance are significantly dependent upon the continued services of key personnel, including our executive team and other highly skilled employees, and our ability to attract, retain, and motivate such personnel. Competition for key personnel is intense, especially in the San Francisco Bay Area, where our corporate headquarters are located and where the cost of living is high, and we may be unable to successfully attract, integrate, or retain sufficiently qualified key personnel. In making employment decisions, particularly in the technology and payments industries, job candidates often consider the value of the equity awards they would receive in connection with their employment, and our stock price volatility, or a perception that the market price of our stock may not increase or may increase more slowly than stock prices at other technology or payments companies, may make it more difficult to attract, retain, and motivate employees. We may be limited in our ability to recruit internationally by restrictive domestic immigration laws or policies. Potential changes in U.S. immigration policy may make it difficult to renew or obtain visas for any highly skilled personnel that we have hired or are actively recruiting. Negative sentiments towards the U.S. as a result of these potential changes may also adversely affect our international recruiting efforts. Furthermore, legislative or administrative changes to immigration or visa laws and regulations may impair our hiring processes or projects involving personnel who are not citizens of the country where the work is to be performed. In addition, we do not have long-term employment agreements with any of our key personnel and do not maintain any “key person” life insurance policies. The loss of the services of any of our key personnel, or if we are not able to attract or retain highly qualified key personnel effectively, could harm our business and growth prospects.

***We are subject to risks associated with information disseminated through our products and services.***

Companies providing online services may be subject to claims relating to information disseminated through them, including claims alleging defamation, libel, harassment, hate speech, breach of contract, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through the services, among other things. The laws relating to the liability of companies providing online services for information disseminated through their services are subject to frequent challenges. We are also subject to potential liability to third parties for the customer-provided content on our products and services, particularly in jurisdictions outside the U.S. where the applicable laws are unsettled. If we become liable for information provided by our customers and carried on our products and services, we could be directly harmed and we may be forced to implement new measures to reduce our exposure to this liability, including expending substantial resources or discontinuing certain product or service offerings, which could harm our business.

#### **Risks Related to Our Separation from eBay**

***If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code (the “Code”), eBay, PayPal and eBay stockholders could be subject to significant tax liabilities.***

On July 17, 2015, we became an independent publicly traded company through the pro rata distribution by eBay Inc. of 100% of our outstanding common stock to eBay’s stockholders (which we sometimes refer to as the “separation” or the “distribution”). eBay received an opinion from its outside legal counsel regarding the qualification of the distribution, together with certain related transactions, as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code. The opinion was based on and relied on, among other things, certain facts and assumptions, as well as certain representations, statements, and undertakings of eBay and of us, including those relating to the past and future conduct of eBay and of us. If any of these representations, statements, or undertakings were, or became, inaccurate or incomplete, or if eBay or we breach any of our respective covenants in the separation documents, the opinion of counsel may be invalid and the conclusions reached therein could be jeopardized.

Notwithstanding the opinion of counsel, the IRS could determine that the distribution, together with certain related transactions, should be treated as a taxable transaction if the IRS determines that any of these representations, assumptions, or undertakings upon which such opinion was based are incorrect or have been violated or if the IRS disagrees with the conclusions in the opinion of counsel. An opinion of counsel is not binding on the IRS or any court and there can be no assurance that the IRS will not challenge the conclusions reached in the opinion. The IRS did not provide any opinion in advance of the separation that our proposed transaction is tax-free.

If the distribution, together with certain related transactions, failed to qualify as a transaction that is generally tax-free under Sections 368(a)(1)(D) and 355 of the Code, in general, eBay would recognize taxable gain as if it had sold the PayPal common stock in a taxable sale for its fair market value, eBay stockholders who received PayPal common stock in the distribution may be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares, and we could incur significant liabilities.

***There are risks associated with our relationship with eBay.***

In connection with our separation from eBay, we entered into a separation and distribution agreement with eBay, as well as various other agreements, including an operating agreement, a tax matters agreement, an employee matters agreement, an intellectual property matters agreement, a data sharing addendum, and a product development agreement. The separation agreement, the tax matters agreement, the employee matters agreement, and the intellectual property matters agreement determined the allocation of assets and liabilities (including by means of licensing) between the companies following the separation for those respective areas and include associated indemnification obligations. The operating agreement, the data sharing addendum, and the product development agreement establish certain commercial relationships between eBay and us related to payment processing, credit, and data sharing. Disputes between eBay and us have arisen and others may arise in the future; an adverse outcome in such matters could materially and adversely affect our business, results of operations, and financial condition. If either we or eBay are unable to satisfy our performance, payment, or indemnification obligations under these agreements, we could incur operational difficulties or losses or be required to make substantial indemnification or other payments to eBay.

Our relationship with eBay is governed, in part, by an operating agreement entered into at separation with a term of five years (expiring July 2020). This operating agreement defines a number of important elements of our commercial relationship with eBay, as well as certain obligations and restrictions that limit PayPal's provision of services to certain competitive platform operators of eBay (as specified in the operating agreement). eBay remains a significant source of our revenues and operating income. We expect the portion of our revenue and operating income attributable to eBay to continue to decline due to various factors (many of which are beyond our control), including the expiration (or earlier termination) of the operating agreement with eBay, and the extent to which eBay intermediates payments on its platform (including by acting as a merchant of record), limits the availability of PayPal as a payment option or offers (or promotes) alternative payment options, directs transactions on its platforms to different providers of payment services, or eliminates or modifies its risk management or customer protection programs on its platforms, which could result in customer dissatisfaction, reduction in eBay volume, and other consequences adverse to our business. If we are unable to generate sufficient business from our non-eBay customers to offset the expected reduction in the portion of our business attributable to eBay, it could materially impact the growth in our business and our ability to meet our long-term financial targets.

**Risks Related to Our Common Stock**

***The price of our common stock has fluctuated and may continue to fluctuate significantly.***

The price of our common stock has fluctuated and may continue to fluctuate significantly due to a number of factors, some of which may be beyond our control, including, but not limited to:

- actual or anticipated fluctuations in our operating results;
- changes in financial estimates by us or securities analysts and recommendations or lack of coverage and reports by securities analysts;
- changes in our capital structure;
- the activities of our competitors;
- speculation, coverage, or sentiment in the media or the investment community;
- the operating and stock price performance and valuation of comparable companies;

- our quarterly or annual earnings, or those of other companies in our industry;
- the public's reaction to our press releases, our other public announcements, and our filings with the SEC;
- additions or departures of key personnel;
- announcements related to litigation, regulation, or disputes;
- changes to the regulatory and legal environment under which we operate; and
- market conditions or trends in the payments industry, the industries of merchants, and the domestic and worldwide economy as a whole.

As a result of these and other factors, investors in our common stock may not be able to resell their shares at or above the price at which they purchase our common stock. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, in the past, some companies that have had volatile market prices for their securities have been subject to class action or derivative lawsuits. The filing of a lawsuit against us, regardless of the outcome, could have a negative effect on our business, financial condition, and results of operations, as it could result in substantial legal costs and a diversion of management's attention and resources.

***Our amended and restated certificate of incorporation designates the state courts of the State of Delaware, or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us and our directors and officers.***

Our amended and restated certificate of incorporation provides that unless the corporation otherwise determines, the state courts of the State of Delaware, or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders, any action asserting a claim against us or any of our directors or officers arising pursuant to any provision of the Delaware General Corporation Law (“DGCL”) or our amended and restated certificate of incorporation or bylaws, or any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers. Alternatively, if a court outside of Delaware were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we could incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition, or results of operations.

***Certain provisions in our amended and restated certificate of incorporation and bylaws may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.***

Certain provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of deterring coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and by encouraging prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. These provisions include, among others:

- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the fact that directors may not be elected, removed, or replaced at stockholder-requested special meetings unless a person, entity, or group owns at least a majority of our outstanding common stock;
- the right of our Board of Directors to issue preferred stock and to determine the voting, dividend, and other rights of preferred stock without stockholder approval;
- the ability of our directors, and not stockholders, to fill vacancies on our board of directors in most circumstances and to determine the size of our board of directors;
- the prohibition on stockholders acting by written consent; and
- the absence of cumulative rights in the election of directors.

We have also elected not to be governed by Section 203 of the DGCL, which provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation, or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliates becomes the holder of more than 15% of the corporation's outstanding voting stock. Our amended and restated certificate of incorporation, however, contains a provision that generally mirrors Section 203 of the DGCL, except that it provides for a 20% threshold instead of the 15% provided for by the DGCL. These provisions could delay or prevent a change of control that our stockholders may favor.

While these provisions are not intended to make us immune from takeovers, they will apply even if the offer may be considered beneficial by some stockholders and may delay or prevent an acquisition that our Board of Directors determines is not in the best interests of us and our stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors. .



## GENERAL INFORMATION

### Responsibility for Contents of the Prospectus

PayPal Holdings, Inc., whose principal executive offices are located at 2211 North First Street, San Jose, California 95131, United States, assumes responsibility for the contents of this prospectus pursuant to section 5 paragraph 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and declares that, to the best of its knowledge, the information contained in this prospectus is accurate and does not contain any material omissions, and that PayPal Holdings, Inc. has taken all reasonable care to ensure that the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Unless otherwise expressly stated or the context otherwise requires, references to “we,” “our,” “us,” “the Company” or “PayPal” refer to PayPal Holdings, Inc. and its consolidated subsidiaries or, in the case of information as of dates or for periods prior to our separation from eBay, the consolidated entities of the payments business of eBay, including PayPal, Inc. and certain other assets and liabilities that were historically held at the eBay corporate level, but were specifically identifiable and attributable to the payments business

Any product, product name, process, or technology described in these materials is the property of PayPal.

Information contained on our web site is not part of this prospectus.

### Subject Matter of the Offering

This prospectus relates to the offering of shares of PayPal’s common stock each with a par value of \$0.0001 under the PayPal Holdings, Inc. Employee Stock Purchase Plan (the “ESPP”).

### Forward-Looking Statements

This prospectus contains forward-looking statements. These forward-looking statements can be identified by the use of the words such as “may,” “will,” “could,” “would,” “should,” “expects,” “plans,” “anticipates,” “estimates,” “intends,” “potential,” “projected,” “continue,” or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the heading “Risk Factors.” All forward-looking statements included in this document are based on information available to us on the date of the prospectus. We undertake no obligation to update these forward-looking statements as a result of events or circumstances or to reflect the occurrence of unanticipated events or non-occurrence of anticipated events, except to the extent required by law.

### Currency References

In this prospectus and any documents included herein, unless otherwise indicated, all dollar amounts and references to “dollars” or “\$” are to U.S. dollars.

### Documents Available for Inspection

Our website is located at [www.paypal.com](http://www.paypal.com), and our investor relations website is located at <http://investor.paypal-corp.com>. The following documents, along with all other reports and amendments filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”), are publicly available free of charge during the entire validity period of this prospectus on the investor relations section of our website at <https://investor.paypal-corp.com/annuals-proxies.cfm>:

This prospectus refers to the following documents filed with the SEC, which can be accessed in full through the SEC website at the links provided below:

- Form 10-K Annual Report filed on February 7, 2019 - <https://www.sec.gov/Archives/edgar/data/1633917/000163391719000043/0001633917-19-000043-index.htm> (the “2018 Form 10-K”);
- Form 10-K Annual Report filed on February 7, 2018 - <https://www.sec.gov/Archives/edgar/data/1633917/000163391718000029/0001633917-18-000029-index.htm> (the “2017 Form 10-K”); and
- Form 10-K Annual Report filed on February 8, 2017 - <https://www.sec.gov/Archives/edgar/data/1633917/000163391717000027/0001633917-17-000027-index.htm> (the “2016 Form 10-K”).

This prospectus can be downloaded on our website at  
[https://www.paypal.com/de/webapps/mpp/ua/prospectusdisclaimer?locale.x=en\\_DE](https://www.paypal.com/de/webapps/mpp/ua/prospectusdisclaimer?locale.x=en_DE)

Our Certificate of Incorporation and bylaws are on file at the Company's headquarters in San Jose, California. Copies of the Certificate of Incorporation and bylaws will be furnished to investors without charge upon written request to: Investor Relations, PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131 or via <https://investor.paypal-corp.com/contactus.cfm>. Our Certificate of Incorporation and Bylaws are also filed with the SEC as exhibits to our 2018 10-K and can be accessed via the link to the 2018 10-K given above.

## THE OFFERING

Eligible employees have the opportunity to acquire shares of PayPal Holdings, Inc.'s common stock under the ESPP.

### **Information Concerning the Shares to be Offered**

The shares offered under the ESPP are shares of the Company's common stock, which is registered under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). The par value of each share of common stock is \$0.0001.

All issued and outstanding shares of common stock are fully paid and non-assessable. Substantially all of the outstanding shares of common stock are registered and freely transferable other than unvested restricted stock. Each issued and outstanding share of common stock entitles the holder to one vote on all matters presented to the stockholders in annual or special meetings of the Company.

The common stock is listed on the NASDAQ Stock Market ("NASDAQ") under the symbol "PYPL." The shares are quoted on NASDAQ in U.S. dollars.

A participant shall have no interest or voting right in the shares covered by the option until the option has been exercised.

Shares to be delivered to a participant under the ESPP will be registered in the name of the participant.

### **The Offering under the ESPP**

#### ***General Information***

On June 16, 2015, the Company's board of directors (the "Board") adopted the ESPP. Under the ESPP, shares may be purchased over an offering period with a maximum duration of two years at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period. Employees may purchase shares having a value not exceeding 10% of their eligible compensation during an offering period.

The purpose of the ESPP is to provide Eligible Employees with a convenient means of acquiring an equity interest in the Company through payroll deductions or other contributions, to enhance such employees' sense of participation in the affairs of the Company.

The ESPP was amended and restated by the Board on March 28, 2018, subject to approval of the Company's stockholders pursuant to section 23 thereof. In the stockholders meeting of May 23, 2018, the Company's stockholders granted such approval. In particular, the number of available shares was increased from 12 million shares by 50 million shares to 62 million shares.

#### ***Administration of the ESPP***

The Board or the Committee (in either case, the "Administrator") administers the ESPP. The administration, interpretation or application of the ESPP by the Administrator will be final, conclusive and binding upon all participants. Members of the Board or the Committee who are employees may participate in the ESPP.

The Company has appointed Computershare Shareowner Services ("Computershare") as the depository agent and E\*TRADE Financial Corporation ("E\*TRADE") as designated ESPP broker for the purpose of this offering.

#### ***Eligible Employees***

An employee of the Company or its designated subsidiaries or affiliates (each a "Participating Company") is eligible to participate in an offering period under the ESPP unless:

- the employee is not employed by a Participating Company ten (10) business days before the beginning of such offering period; and/or
- the employee owns stock or holds options to purchase stock (or would own stock or hold options as a result of participation in the ESPP) possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries or affiliates.

Eligible employees may become participating employees in an offering period under the ESPP on the first Offering date after satisfying the eligibility requirements by executing a subscription agreement authorizing payroll deductions or contributions and completing any other necessary documents (the "Enrollment Documents") within the time limits set forth by PayPal and announced to eligible employees.

An eligible employee who does not execute a subscription agreement and complete any other Enrollment Documents, as required, within the specified time limits set forth by PayPal after becoming eligible to participate in such offering period shall not participate in that offering period or any subsequent offering period unless such employee enrolls in the ESPP by executing a subscription agreement and completing any other required Enrollment Documents within the time limits set forth by PayPal.

Once an employee becomes a participating employee in an offering period, such participating employee will automatically participate in the offering period commencing immediately following the last day of the prior offering period unless the participating employee is no longer an Eligible Employee, withdraws or is deemed to withdraw from the ESPP or terminates further participation in the offering period as set forth below in “—Terms and Conditions—Withdrawal” and “—Termination of Employment”. Such participating employee is not required to complete any additional subscription agreement or Enrollment Documents in order to continue participation in the ESPP, unless requested by the Committee for legal or administrative reasons.

### ***Shares Available for Award***

As of the date of this prospectus, the total number of shares of common stock issuable pursuant to available purchase rights under the ESPP is 52,964,978 shares.

### ***Types of Awards***

The ESPP permits the grant of options to eligible employees of the Company or its subsidiaries to purchase shares of the Company’s common stock. Eligible employees may participate in the offering by enrolling in the ESPP. Enrollment in the ESPP with respect to an offering period will constitute the grant (as of the offering date) by the Company to such participating employee of an option to purchase on the purchase date up to that number of shares determined by dividing:

- (a) the amount accumulated in such participating employee's payroll deduction or other contribution account during such purchase period by
- (b) the lower of
  - (i) eighty-five percent (85%) of the fair market value of a share on the offering date (but in no event less than the par value of a share), or
  - (ii) eighty-five percent (85%) of the fair market value of a share on the purchase date (but in no event less than the par value of a share);

provided, however, that the number of shares subject to any option granted pursuant to the ESPP and the eBay Inc. Employee Stock Purchase Plan (“eBay ESPP”) shall not exceed the lesser of

- (x) \$25,000 in fair market value, determined as of the offering date, using the applicable exchange rate as of such offering date, if applicable, (or such other limit as may be imposed by the U.S. Internal Revenue Code) for each calendar year in which the employee participates in the ESPP, or
- (y) 5,000 shares on a single purchase date (subject to equitable adjustment; see “—Terms and Conditions—Changes in Capitalization and Transactions” below), or, in each case, such other maximum share limit set by the Committee with respect to the applicable purchase date.

The limits to the number of shares subject to any option granted pursuant to the ESPP will be determined on the offering date.

### **Terms and Conditions**

#### ***Offering Periods***

Each offering period under the ESPP is twenty-four (24) months in duration, commencing on May 1 and November 1 and ending on April 30 and October 31 of each year. Each offering period consists of four (4) six-month purchase periods during which payroll deductions or contributions of the participating employees are accumulated under the ESPP. In Germany, Ireland, Sweden and the United Kingdom, the offering period and the purchase period are six months long and run in parallel. The Committee has the power to change the duration of offering periods with respect to offerings without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first offering period to be affected. Notwithstanding the foregoing, the Board or the Committee may, in connection with certain corporate transactions, establish other offering periods in addition to those described above, which will be subject to any specific terms and conditions that the Committee approves, including requirements with respect to eligibility, participation, the establishment

of purchase periods and purchase dates and other rights under any such offering period. A participating employee may be enrolled in only one offering period at a time.

If the fair market value on the first day of the current offering period in which the participating employee is enrolled in the ESPP is higher than the fair market value on the first day of any subsequent offering period, PayPal will automatically enroll the participating employee in the subsequent offering period. Any funds accumulated in the participating employee's account prior to the first day of the subsequent offering period will be applied to the purchase of shares on the purchase date immediately prior to the first day of the subsequent offering period. The participating employee will not need to file any additional forms with PayPal to be automatically enrolled in the subsequent offering period.

The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*; "BaFin") reviews the prospectus for completeness, consistency and comprehensibility. After approval of this prospectus by BaFin, the prospectus will cover the current Offering Period and part of the Offering Period from May 1, 2019 to October 31, 2019.

On July 21, 2019, the EU Prospectus Regulation (the "Prospectus Regulation") will enter into force, superseding the current EU Prospectus Directive. Under the Prospectus Regulation, the ESPP, like other employee offerings made by non-EU issuers, will no longer be subject to the requirement of an approved prospectus, provided the conditions of the employee share scheme exemption or another exemption or exclusion are met. For Offering Periods subsequent to the effectiveness of the Prospectus Regulation, we expect that we will rely on the employee share scheme exemption and publish an information document.

#### ***Purchase Price***

The purchase price per share at which a share will be sold in any offering period shall be eighty-five percent (85%) of the lower of: (a) the fair market value on the offering date; or (b) the fair market value on the purchase date.

For purposes of the ESPP, the term "fair market value" on a given date (assuming the shares are quoted on NASDAQ) is the closing price of a share as quoted on NASDAQ on the date of determination as reported in the *Wall Street Journal*.

PayPal will publish the purchase price at the end of each offering period on the same internet page where the prospectus is published:

[https://www.paypalobjects.com/webstatic/en\\_DE/ua/pdf/purchase\\_price.pdf](https://www.paypalobjects.com/webstatic/en_DE/ua/pdf/purchase_price.pdf)

#### ***Purchase Price Payment – Payroll Deduction***

The purchase price of the shares is paid through regular payroll deductions or contributions made during each purchase period. The deductions or contributions are made as a percentage of the participating employee's compensation, whether the participating employee is compensated in dollars or any other currency, in one percent (1%) increments, which may not be less than two percent (2%), nor greater than ten percent (10%) (or such lower limit set by the Committee). Payroll deductions will commence on the first payday of the offering period and shall continue to the end of the offering period unless sooner altered or terminated as provided in the ESPP. Other contributions will be made at the time and in the manner prescribed by the Committee in accordance with the terms of the ESPP.

On each purchase date, so long as the ESPP remains in effect and provided that the participating employee has not, in the time and manner prescribed by PayPal, withdrawn from the ESPP and requested to have all funds accumulated in the account maintained on behalf of the participating employee returned to the participating employee or has not terminated employment and had all accumulated funds returned to him/her in accordance with the terms of the ESPP, the Company will apply the funds then in the participating employee's account to the purchase of whole shares reserved under the option granted to such participating employee with respect to the offering period to the extent that such option is exercisable on the purchase date. The purchase price per share is specified in "—Purchase Price" above. Any cash remaining in a participating employee's account after such purchase of shares will be refunded to such participating employee in cash, without interest unless local law requires the payment of interest; provided, however that any amount remaining in such participating employee's account on a purchase date which is less than the amount necessary to purchase a full share will be carried forward, without interest unless local law requires the payment of interest, into the next purchase period or offering period and in the locations where the Board or the Committee has determined that such rollover is available under the ESPP, as the case may be. In the event that the ESPP has been oversubscribed, all funds not used to purchase shares on the purchase date will be returned to the participating employee, without interest

unless local law requires the payment of interest. No shares will be purchased on a purchase date on behalf of any employee whose participation in the ESPP has terminated prior to such purchase date.

A participating employee may increase or decrease the rate of payroll deductions or contributions during an offering period by filing with PayPal a new authorization for payroll deductions or contributions (or by following other procedures specified by PayPal), in which case the new rate will become effective as soon as administratively practicable. Such change in the rate of payroll deductions or contributions may be made at any time during an offering period, but not more than one (1) change may be made effective during any purchase period. A participating employee may increase or decrease the rate of payroll deductions or contributions for any subsequent offering period by filing with PayPal a new authorization for payroll deductions or an election for contributions not later than fifteen (15) days before the beginning of such offering period, or by following other procedures specified by PayPal.

All a participating employee's payroll deductions or contributions are credited to his or her account under the ESPP and are deposited with the general funds of the Company, unless otherwise required by local law. No interest will accrue on the payroll deductions or contributions unless local law requires that payroll deductions or contributions be held in an interest-bearing account. The Company may use all payroll deductions or contributions it receives or holds for any corporate purpose, and will not be obligated to segregate such payroll deductions or contributions unless segregation of accounts is required by local law.

A participant may obtain an individual account balance and a detailed purchase history by contacting E\*TRADE or logging into their E\*TRADE account.

In locations where local law prohibits payroll deductions, an eligible employee may elect to participate through contributions to his or her account under the ESPP in a form acceptable to the Board or the Committee.

### ***Delivery***

As promptly as practicable after the purchase date, the Company will issue shares for the participating employee's benefit representing the shares purchased upon exercise of his or her option. If a participating employee dies before receiving his or her shares, the Company will deliver the shares credited to the participating employee's account to the executor or administrator of his or her estate or, if no such executor or administrator has been appointed, to the participating employee's beneficiary.

During a participating employee's lifetime, his or her option to purchase shares under the ESPP is exercisable only by him or her. The participating employee will have no interest or voting right in shares covered by his or her option until such option has been exercised.

### ***Changes in Capitalization and Transactions***

Subject to any required action by the stockholders of the Company, the number of shares of common stock covered by each right to purchase shares ("option") under the ESPP that has not yet been exercised and the number of shares that have been authorized for issuance under the ESPP but have not yet been placed under option, as well as the price per share covered by each option under the ESPP that has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares resulting from a stock split or the payment of a stock dividend (but only on the shares) or any other increase or decrease in the number of issued and outstanding shares effected without receipt of any consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination shall be final, binding and conclusive. Except as expressly provided in the ESPP, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to an option.

Outstanding awards do not automatically terminate in the event of a change in control. A "change in control" generally means a transaction in which any person or group acquires more than 50% of our voting securities, a change in a majority of the Board over a two-year period that is not approved by at least two-thirds of the incumbent Board members, a sale or other disposition of all or substantially all of our assets, a merger or consolidation in which we are not the surviving corporation, or a reverse merger in which we are the surviving corporation but the shares of our stock outstanding immediately preceding the merger are converted by virtue of the merger into other property or a liquidation or dissolution of the Company. In the event of a change in control, any surviving corporation or acquiring corporation must either assume or continue outstanding awards or substitute similar awards. If it does not do so, then with respect to awards held by participants whose service has not terminated, the vesting of such awards (and, if applicable, the time during which such awards may be

exercised) will be accelerated in full and all forfeiture restrictions on such awards shall lapse. The unexercised portion of all outstanding awards may terminate upon the change in control.

### ***Withdrawal***

Each participating employee may withdraw from a purchase period under the ESPP by signing and delivering to PayPal a notice to that effect on a form provided for such purpose or by following other withdrawal procedures specified by PayPal. Such withdrawal may be elected at any time at least fifteen (15) days prior to the end of a purchase period (or such other period as may be specified by PayPal). Upon withdrawal from the ESPP, the accumulated payroll deductions will be returned to the withdrawn participating employee, without interest unless local law requires the payment of interest, and his or her interest in the ESPP will terminate. In the event a participating employee voluntarily elects to withdraw from the ESPP, he or she may not begin participating again in the ESPP during the remainder of the same offering period. However, he or she may participate in any offering period under the ESPP which commences on a date subsequent to such withdrawal by executing a new authorization for payroll deductions or by commencing to make contributions in the same manner as described above for initial participation in the ESPP.

### ***Termination of Employment***

Termination of a participating employee's employment for any reason, including retirement, death or the failure of a participating employee to remain an Eligible Employee of a Participating Company, immediately terminates his or her participation in the ESPP. In such event, the funds credited to the participating employee's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest unless local law requires the payment of interest. For purposes of this paragraph, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of a Participating Company in the case of sick leave, military leave, or any other leave of absence approved by PayPal; provided that such leave is for a period of not more than three (3) months, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by PayPal.

### ***Transferability***

Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the ESPP may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will or the laws of descent and distribution) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that PayPal may treat such act as an election to withdraw funds.

### ***Amendment and Termination of the Plan***

The Committee may at any time amend or terminate the ESPP, except that any such termination cannot affect options previously granted under the ESPP, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participating employee, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with the ESPP within twelve (12) months of the adoption of such amendment (or earlier if required by the ESPP) if such amendment would: (a) increase the number of shares that may be issued under the ESPP; or (b) change the designation of the corporations whose employees (or class of employees) are eligible for participation in the ESPP. The authority to take action under the ESPP regarding amendment or termination of the ESPP may not be delegated on an officer or other employee of PayPal. Notwithstanding the foregoing, the Committee may make such amendments to the ESPP as the Committee determines to be advisable, if the continuation of the ESPP or any offering period would result in financial accounting treatment for the ESPP that is different from the financial accounting treatment in effect on the date the ESPP was adopted by the Board.

### ***Enrollment***

Participation in the ESPP is voluntary and is dependent on each eligible employee's election to participate and his or her determination as to the level of payroll deductions. Prior to each offering period, eligible employees are notified of the enrollment deadlines by e-mail. Enrollments completed after the enrollment deadline tax effect in the next following offering period.

## **REASONS FOR THE OFFERING AND USE OF PROCEEDS**

### **Purpose of the Plan**

The purpose of the ESPP is to provide employees of the Company and its subsidiaries with an opportunity to purchase shares of the Company's common stock through payroll deductions.

### **Proceeds and Use of Proceeds**

On March 20, 2019, the closing price of a share of the Company's common stock as quoted on NASDAQ was \$102.31. As of December 31, 2018, we employed approximately 21,800 people globally, of whom approximately 11,500 were located in the United States. Assuming that each eligible employee purchased the maximum number of 244 shares of common stock and assuming a purchase price of \$86.96, which is 85% of the common stock's fair market value as of March 20, 2019, then the gross proceeds to the Company would be approximately \$462,557,632 on the basis of 5,319,200 purchased shares. The costs of this offering consist of legal expenses in an amount of approximately \$75,000. After deduction of such costs the net proceeds, based on the above assumptions, would be approximately \$462,482,632.

We may use the proceeds from the sale of shares under the ESPP for any corporate purpose. The proceeds will be booked to the general account of the Company. On that account, they are pooled with other company monies which will be used for general corporate purposes.



## DILUTION

The book value of the shareholders' equity of the Company (defined as total assets less total liabilities) as reflected in the consolidated financial statements amount to approximately \$15,386,000,000 as of December 31, 2018. This is equivalent to approximately \$13.11 per share (calculated on the basis of 1,173,209,367 shares of common stock outstanding as of January 31, 2019).

If the Company had obtained net proceeds in the amount of \$462,482,632 as of the date of this prospectus, the book value of the shareholders' equity at that time would have been about \$15,848,482,632, or \$13.45 per share (based on the increased number of 1,178,528,567 shares after the purchase of 5,319,200 shares assuming a purchase price of \$86.96, which is 85% of the common stock's fair market value of \$102.31, representing the closing price as of March 20, 2019. Consequently, under the above-mentioned assumptions, the implementation of the offering would lead to a direct increase in the book value of shareholders' equity of \$462,482,632 and existing stockholders will enjoy an increase of the book value of their shares of \$0.34 per share, or approximately 2.59%. Eligible employees who purchased the shares and, thus, investors who acquire shares at the purchase price of \$86.96 will be diluted by \$73.51 per share, or by approximately 84.53%.

## **DIVIDEND POLICY**

The Company has not declared or paid any cash dividends on its capital stock since its inception. We do not expect to pay cash dividends in the foreseeable future.

## CAPITALIZATION

### Capitalization and Indebtedness

As at December 31, 2018, our capitalization was as follows (in millions of dollars):

<b>Total current debt</b> .....	<b>23,841</b>
Guaranteed* .....	—
Secured* .....	—
Unguaranteed/unsecured* <sup>(1)</sup> .....	23,841
<b>Total non-current debt (excluding current portion of long-term debt)</b> .....	<b>—</b>
Guaranteed* .....	—
Secured* .....	—
Unguaranteed/unsecured* .....	—
<b>Shareholder's equity:</b>	
a. Share Capital <sup>(2)</sup> .....	9,428
b. Legal Reserve .....	—
c. Other reserves <sup>(3)</sup> .....	5,958
Total .....	<u>15,386</u>
<b>Total capitalization*</b> .....	<u><b>39,227</b></u>

\* Unaudited. Derived from audited figures and calculated by internal accounting.

(1) Consists of funds payable and amounts due to customers (\$21,562 million), notes payable (\$1,998 million) and accounts payable (\$281 million).

(2) Consists of (i) common stock, \$0.0001 par value (\$0), and additional paid-in capital (\$14,939 million), less (iii) treasury stock at cost (\$5,511 million).

(3) Consists of (i) retained earnings (\$5,880 million) and (ii) accumulated other comprehensive income (\$78 million).

The following table shows the Company's net financial indebtedness. Consequently, the table does not include non-financial debt from normal operations such as accounts payable, taxes payable, deferred tax liability, accrued expenses and long term liabilities other than bank debt or notes payable. As at December 31, 2018, our net indebtedness in the short term and in the medium-long term was as follows (in millions of dollars):

A.+B. Cash and cash equivalents <sup>(1)</sup> .....	7,575
C. Trading securities <sup>(2)</sup> .....	1,361
<b>D. Liquidity (A)+(B)+(C)*</b> .....	8,936
<b>E. Current financial receivable</b> * <sup>(3)</sup> .....	22,594
F. Current bank debt.....	—
G. Current portion of non-current debt .....	—
H. Other current financial debt <sup>(4)</sup> .....	23,560
<b>I. Current financial debt (F)+(G)+(H)*</b> .....	23,560
<b>J. Net current financial indebtedness (I)-(E)-(D)*</b> .....	(7,970)
K. Non-current bank loans .....	—
L. Bonds issued .....	—
M. Other non-current financial indebtedness .....	—
<b>N. Non-current financial indebtedness (K)+(L)+(M)*</b> .....	—
<b>O. Net financial indebtedness (J)+(N)*</b> .....	(7,970)

\* Unaudited. Derived from audited figures and calculated by internal accounting.

(1) We do not report cash separately from cash equivalents in our financial statements.

(2) Consists of (i) corporate debt securities and government and agency securities recorded in our consolidated financial statements under "Short-term investments" (\$685 million) and (ii) corporate debt securities and government and agency securities recorded in our consolidated financial statements under "Long-term investments" (\$676 million).

(3) Consists of (i) loans and interest receivable, net of allowances of \$172 million (\$2,532 million) and (ii) funds receivable and customer accounts (\$20,062 million).

(4) Consists of (i) funds payable and amounts due to customers (\$21,562 million) and (ii) notes payable (\$1,998 million).

## Commitments and Contingencies

### Commitments

As of December 31, 2018, approximately \$1.8 billion of unused credit was available to PayPal Credit account holders compared to \$26.4 billion of unused credit as of December 31, 2017. While this amount represents the total unused credit available, we have not experienced, and do not anticipate, that all our PayPal Credit account holders will access their entire available credit at any given point in time. In addition, the individual lines of credit that make up this unused credit are subject to periodic review and termination based on, among other things, account usage and customer creditworthiness. The decrease in unused credit in 2018 as compared to 2017 was due to the sale of our U.S. consumer credit portfolio.

Prior to the completion of the sale of our U.S. consumer credit receivables portfolio in July 2018, when a consumer funded a purchase in the U.S. using a PayPal Credit product issued by a chartered financial institution, the chartered financial institution extended credit to the consumer, funded the extension of credit at the point of sale and advanced funds to the merchant. We purchased the receivables related to the consumer loans extended by the chartered financial institution and, as a result of such purchase, bore the risk of loss in the event of loan defaults. Although the chartered financial institution continued to own each customer account, we owned the related receivable (excluding participation interests sold) and were responsible for all servicing functions related to the account. Subsequent to the completion of the sale of our U.S. consumer credit receivables portfolio, we no longer purchase the receivables related to consumer loans extended by the chartered financial institution.

We have lease obligations under certain non-cancelable operating leases. Our non-cancelable operating lease agreements typically have terms between 3-10 years and generally contain multi-year renewal options. We recognize rent expense under such agreements on a straight-line basis.

Future minimum rental payments under non-cancelable operating leases at December 31, 2018, are as follows (dollars in millions):

2019 .....	\$ 124
2020 .....	111
2021 .....	96
2022 .....	81
2023 .....	63
Thereafter .....	<u>189</u>
<b>Total minimum lease payments .....</b>	<b><u>\$ 664</u></b>

Rent expense for the years ended December 31, 2018, 2017, and 2016 totaled \$94 million, \$69 million, and \$76 million, respectively. The future minimum lease payments include the minimum commitments for our facilities

### Contingencies

#### Indemnification Provisions

We entered into a separation and distribution agreement, a tax matters agreement, an operating agreement and various other agreements with eBay Inc. (“eBay”) to govern the separation of the two companies in 2015 and the relationship of the two companies going forward. These agreements provide for specific indemnity and liability obligations for both eBay and us. Disputes between eBay and us have arisen and others may arise in the future, and an adverse outcome in such matters could materially and adversely impact our business, results of operations, and financial condition. In addition, the indemnity rights we have against eBay under the agreements may not be sufficient to protect us, and our indemnity obligations to eBay may be significant.

In the ordinary course of business, we include limited indemnification provisions in certain of our agreements with parties with whom we have commercial relationships. Under these contracts, we generally indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with claims by any third party with respect to our domain names, trademarks, logos, and other branding elements to the extent that such marks are related to the subject agreement. We have provided an indemnity for other types of third-party claims, which are indemnities mainly related to intellectual property rights, confidentiality, willful misconduct, data privacy obligations, and certain breach of contract claims. We have also provided an indemnity to our payments processors in the event of card association fines against the processor arising out of conduct by us or our customers. It is not possible to determine the maximum potential loss under these indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular situation. To date, no significant costs have been incurred, either individually or collectively, in connection with our indemnification provisions.

### *Off-Balance Sheet Arrangements*

As of December 31, 2018 and 2017, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources.

### *Protection Programs*

We provide merchants and consumers with protection programs on most transactions completed on our Payments Platform, except for transactions using our gateway products or where our customer agreements specifically do not provide for protections. These programs protect both merchants and consumers from loss primarily due to fraud and counterparty performance. Our Buyer Protection Program provides protection to consumers for qualifying purchases by reimbursing the consumer for the full amount of the purchase if a purchased item does not arrive or does not match the seller's description. Our Seller Protection Programs provide protection to merchants against claims that a transaction was not authorized by the buyer or claims that an item was not received by covering the seller for the full amount of the payment on eligible sales. These protection programs are considered assurance-type warranties for which we estimate and record associated costs in transaction and loan losses during the period the payment transaction is completed.

The maximum potential exposure under our protection programs is estimated to be the portion of total eligible transaction volume (TPV) for which buyer or seller protection claims may be raised under our existing user agreements. Since eligible transactions are typically completed in a period significantly shorter than the period under which disputes may be opened, and based on our historical losses to date, we do not believe that the maximum potential exposure is representative of our actual potential exposure. The actual amount of potential exposure cannot be quantified as we are unable to determine total eligible transactions where performance by a merchant or consumer is incomplete or completed transactions that may result in a claim under our protection programs. We record a liability with respect to losses under these protection programs when they are probable and the amount can be reasonably estimated.

The following table shows changes in the allowance for transaction losses and negative customer balances related to our protection programs for the year end December 31, 2018 and 2017:

	<b>As of December 31,</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>(In millions of dollars)</b>	
Beginning balance.....	266	222
Provisions, net of recoveries .....	1,059	823
Realized losses .....	<u>(981)</u>	<u>(779)</u>
Ending balance .....	<u>344</u>	<u>266</u>

For a description of certain legal and regulatory proceedings, see "Legal and Arbitration Proceedings" below.

### **Working Capital Statement**

We believe that our working capital (that is, our ability to access cash and other available liquid resources) is sufficient to meet our present requirements for at least the 12 months following the date of this prospectus.

## SELECTED CONSOLIDATED FINANCIAL DATA

We derived the following consolidated statement of operations data for 2018, 2017 and 2016 and the consolidated balance sheet data as of December 31, 2018 and 2017 from our audited consolidated financial statements and accompanying notes as published in our 2018 10-K. We derived the consolidated balance sheet data as of December 31, 2016 from our audited consolidated financial statements as published in our 2017 10-K. Both 10-Ks can be accessed as described in the section “*Documents Available for Inspection*” of this prospectus.

We prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States.

As at March 20, 2019, the exchange rate between the U.S. dollar and the euro, expressed as euros per dollar, was \$1.0000 = €0.8762 (source: Bloomberg). We have provided this exchange rate information solely for illustrative purposes. We make no representation that any amount of U.S. dollars specified in the tables below has been, or could be, converted into euro at the rate indicated or any other rate.

### Consolidated Statement of Income Data:

	<b>Year ended December 31,</b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	(in millions \$, except share data)		
Net revenues.....	<u>\$ 15,451</u>	<u>\$ 13,094</u>	<u>\$ 10,842</u>
Operating expenses:			
Transaction expense.....	5,581	4,419	3,346
Transaction and loan losses .....	1,274	1,011	1,088
Customer support and operations.....	1,482	1,364	1,267
Sales and marketing .....	1,313	1,128	969
Product development .....	1,071	953	834
General and administrative .....	1,451	1,155	1,028
Depreciation and amortization .....	776	805	724
Restructuring and other charges.....	<u>309</u>	<u>132</u>	<u>—</u>
Total operating expenses.....	<u>13,257</u>	<u>10,967</u>	<u>9,256</u>
Operating income .....	2,194	2,127	1,586
Other income (expense), net .....	182	73	45
Income before income taxes.....	2,376	2,200	1,631
Income tax expense .....	<u>319</u>	<u>405</u>	<u>230</u>
Net income .....	<u>\$ 2,057</u>	<u>\$ 1,795</u>	<u>\$ 1,401</u>
Net income per share (in \$):			
Basic .....	\$ 1.74	\$ 1.49	\$ 1.16
Diluted .....	\$ 1.71	\$ 1.47	\$ 1.15
Weighted average shares (number in millions):			
Basic .....	1,184	1,203	1,210
Diluted .....	1,203	1,221	1,218

**Consolidated Balance Sheet Data:**

	<b>2018</b>	<b>As of December 31 2017</b>	<b>2016</b>
		(in millions \$)	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents .....	\$ 7,575	\$ 2,883	\$ 1,590
Short-term investments .....	1,534	2,812	3,385
Accounts receivable, net .....	313	283	214
Loans and interest receivable <sup>(1)</sup> .....	2,532	1,314	5,348
Loans and interest receivable, held for sale .....	—	6,398	—
Funds receivable and customer accounts .....	20,062	18,242	14,363
Prepaid expenses and other current assets .....	<u>947</u>	<u>713</u>	<u>833</u>
Total current assets .....	<u>32,963</u>	<u>32,645</u>	<u>25,733</u>
Long-term investments .....	971	1,961	1,539
Property and equipment, net .....	1,724	1,528	1,482
Goodwill .....	6,284	4,339	4,059
Intangible assets, net .....	825	168	211
Other assets .....	<u>565</u>	<u>133</u>	<u>79</u>
<b>Total assets</b> .....	<b><u>43,332</u></b>	<b><u>40,774</u></b>	<b><u>33,103</u></b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Accounts payable .....	281	257	192
Notes payable .....	1,998	1,000	—
Funds payable and amounts due to customers .....	21,562	19,742	15,163
Accrued expenses and other current liabilities .....	2,002	1,781	1,459
Income taxes payable .....	<u>61</u>	<u>83</u>	<u>64</u>
Total current liabilities .....	25,904	22,863	16,878
Deferred tax liability and other long-term liabilities .....	<u>2,042</u>	<u>1,917</u>	<u>1,513</u>
Total liabilities .....	<u>27,946</u>	<u>24,780</u>	<u>18,391</u>
Equity:			
Common stock, \$0.0001 par value <sup>(2)</sup> .....	—	—	—
Treasury stock at cost <sup>(3)</sup> .....	(5,511)	(2,001)	(995)
Additional paid-in-capital .....	14,939	14,314	13,579
Retained earnings .....	5,880	3,823	2,069
Accumulated other comprehensive income (loss) .....	<u>78</u>	<u>(142)</u>	<u>59</u>
Total equity .....	<u>15,386</u>	<u>15,994</u>	<u>14,712</u>
<b>Total liabilities and equity</b> .....	<b><u>43,332</u></b>	<b><u>40,774</u></b>	<b><u>33,103</u></b>

(1) Net of allowances of \$172 million in 2018, \$129 million in 2017 and \$339 million in 2016.

(2) 4.0 billion shares authorized; 1.174 billion, 1.200 billion and 1.207 billion outstanding as of December 31, 2018, 2017 and 2016, respectively.

(3) 91 million shares as of December 31, 2018.

There has been no significant change to our financial condition and operating results since December 31, 2018.

## LEGAL AND ARBITRATION PROCEEDINGS

### Overview

We are involved in legal and regulatory proceedings on an ongoing basis. Many of these proceedings are in early stages and may seek an indeterminate amount of damages. If we believe that a loss arising from such matters is probable and can be reasonably estimated, we accrue the estimated liability in our financial statements. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For those proceedings in which an unfavorable outcome is reasonably possible but not probable, we have disclosed an estimate of the reasonably possible loss or range of losses or we have concluded that an estimate of the reasonably possible loss or range of losses arising directly from the proceeding (i.e., monetary damages or amounts paid in judgment or settlement) are not material. If we cannot estimate the probable or reasonably possible loss or range of losses arising from a legal proceeding, we have disclosed that fact. In assessing the materiality of a legal proceeding, we evaluate, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require us to change our business practices in a manner that could have a material adverse impact on our business. With respect to the matters described below, we are unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

Amounts accrued for legal and regulatory proceedings for which we believe a loss is probable were not material for the year ended December 31, 2018. Except as otherwise described below, we have concluded, based on currently available information, that reasonably possible losses arising directly from the proceedings (i.e., monetary damages or amounts paid in judgment or settlement) in excess of our recorded accruals are also not material. However, legal and regulatory proceedings are inherently unpredictable and subject to significant uncertainties. If one or more matters were resolved against us in a reporting period for amounts in excess of management's expectations, the impact on our operating results or financial condition for that reporting period could be material.

### Regulatory Proceedings

We are required to comply with U.S. economic and trade sanctions administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). We have self-reported to OFAC certain transactions that were inadvertently processed but subsequently identified as possible violations of U.S. economic and trade sanctions. In March 2015, we reached a settlement with OFAC regarding possible violations arising from our sanctions compliance practices between 2009 and 2013, prior to the implementation of our real-time transaction scanning program. Subsequently, we have self-reported additional transactions as possible violations, and we have received new subpoenas from OFAC seeking additional information about certain of these transactions. Such self-reported transactions could result in claims or actions against us, including litigation, injunctions, damage awards, fines or penalties, or require us to change our business practices in a manner that could result in a material loss, require significant management time, result in the diversion of significant operational resources, or otherwise harm our business.

On March 28, 2016, we received a Civil Investigative Demand ("CID") from the Federal Trade Commission ("FTC") as part of its investigation to determine whether we, through our Venmo service, have been or are engaged in deceptive or unfair practices in violation of the Federal Trade Commission Act. The CID requested the production of documents and answers to written questions related to our Venmo service. We have cooperated with the FTC in connection with the CID. On February 27, 2018, we entered into a Consent Order with the FTC in which we settled potential allegations arising from our Venmo services between 2013 and 2017. The Consent Order does not contain a monetary penalty, but requires PayPal to make various changes to Venmo's disclosures and business practices. The FTC approved the final Consent Order on May 24, 2018. As required by the Consent Order, we are cooperating with the FTC's requirements and working to ensure compliance with the Consent Order. Any failure to comply with the Consent Order may increase the possibility of additional adverse consequences, including litigation, additional regulatory actions, injunctions, or monetary penalties, or require further changes to our business practices, significant management time, or the diversion of significant operational resources, all of which could result in a material loss or otherwise harm our business.

### Legal Proceedings

On January 12, 2017, a putative shareholder derivative action captioned *Silverman v. Schulman, et al.*, Case No. 5:17-cv-00162 (the "California Derivative Case") was filed in the U.S. District Court for the Northern District of



California (the “Court”). On March 24, 2017, a second derivative action substantially similar to the California Derivative Case captioned *Seeman v. Schulman, et al.*, Case No. 1:17-cv-00318-UNA, was filed in the U.S. District Court for the District of Delaware (the “Delaware Derivative Case”). On April 19, 2017, the Delaware court in the Delaware Derivative Case issued an order adopting a stipulation filed by the parties transferring the Delaware Derivative Case to the Court so that the Delaware Derivative Case could be consolidated with the pending California Derivative Case. On April 27 and 28, 2017, two additional shareholder derivative lawsuits substantially similar to the California Derivative Case and Delaware Derivative Case were filed in the Court. These cases are captioned *Sims v. Schulman, et al.*, Case No. 1:17-cv-02428, and *Liss v. Schulman, et al.*, Case No. 1:17-cv-02446-NC (together with the California Derivative Case and the Delaware Derivative Case, the “Derivative Cases”). The Derivative Cases are purportedly brought on behalf of the Company and assert claims relating to our disclosure in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, that on March 28, 2016, we received a CID from the FTC as part of its investigation to determine whether we, through our Venmo service, have been or are engaged in deceptive or unfair practices in violation of the Federal Trade Commission Act. The Derivative Cases allege that the Company’s Chief Executive Officer, Chief Financial Officer, former interim Chief Financial Officer, and certain members of its Board of Directors (the “Individual Defendants”) breached their fiduciary duties to the Company, violated Section 14(a) of the Securities Exchange Act of 1934, and were unjustly enriched by, among other things, causing or permitting the Company to issue materially false and misleading statements or omissions regarding the Company’s compliance with applicable laws and regulations with respect to its Venmo service, and/or by permitting or causing the Company to engage in unfair trade practices through its Venmo service. The Derivative Cases seek, among other things, to recover unspecified compensatory damages on behalf of the Company arising out of the individual defendants’ alleged wrongful conduct. Although plaintiffs in the Derivative Cases do not seek relief against the Company, we have certain indemnification obligations to the individual defendants. On June 30, 2017, the Court issued an order approving a stipulation filed by the parties in the Derivative Cases that consolidated these cases and appointed co-lead plaintiffs’ counsel for the consolidated case, captioned *In re PayPal Holdings, Inc. Shareholder Derivative Litigation*, Lead Case No. 5:17-cv-00162-RS (the “Consolidated Derivative Case”). The Court’s order states that it applies to each purported derivative action that is subsequently filed in, removed to, or transferred to the Court, arising out of the same or substantially the same transactions or events as the Derivative Cases. On July 31, 2017, plaintiffs’ counsel designated the complaint filed in the Liss action as the operative complaint for the Consolidated Derivative Case. On October 5, 2017, another putative shareholder derivative suit was filed in the Court captioned *Iron Workers Local No. 25 Pension Fund v. John J. Donahoe, et al.*, Case No. 5:17-cv-05741-NC, that makes similar allegations and advances similar claims against the same Individual Defendants as those at issue in the Consolidated Derivative Case. Pursuant to the Court’s consolidation order, this shareholder derivative suit is part of the Consolidated Derivative Case. On September 28, 2017, we filed a motion to dismiss the operative complaint on grounds that plaintiffs lack standing to pursue claims on behalf of the Company because they did not make a pre-suit demand on the Company’s Board of Directors prior to filing the Derivative Cases and failed to establish that making such a demand would have been futile. On January 18, 2018, the Court granted our motion to dismiss with leave to amend and gave plaintiffs 30 days from that date to file an amended complaint. On February 16, 2018, plaintiffs in the Consolidated Derivative Case filed an amended complaint. Plaintiffs’ counsel also sent a letter dated February 15, 2018 to the Chairman of the Company’s Board of Directors, demanding on behalf of plaintiffs that the Board take action to remedy the violations of law allegedly committed by the Individual Defendants in the Consolidated Derivative Case. In April 2018, the Individual Defendants in the Consolidated Derivative Case entered into a tolling agreement with plaintiffs that tolls the running of any statute of limitations applicable to the claims at issue in the lawsuit and the demand plaintiffs made on the Company’s Board of Directors until 30 days from the time the Board issues a final response to the demand or three years elapse from the date of the tolling agreement, whichever comes first. Pursuant to that agreement, plaintiffs in the Consolidated Derivative Case have voluntarily dismissed the lawsuit without prejudice. On October 1, 2018, the Board issued its final response to the demand, which informed plaintiffs’ counsel that the Board had determined that it is not in the best interests of the Company and its shareholders to pursue the claims alleged in the demand or to undertake any further action in response to the demand.

In November 2017, we announced that we had suspended the operations of TIO Networks (“TIO”) as part of an ongoing investigation of security vulnerabilities of the TIO platform. On December 1, 2017 we announced that we had identified evidence of unauthorized access to TIO’s network, including locations that stored personal information of some of TIO’s customers and customers of TIO billers and the potential compromise of personally identifiable information for approximately 1.6 million customers. We have received a number of governmental inquiries, including from state attorneys general, and we may be subject to additional governmental inquiries and investigations in the future. In addition, on December 6, 2017, a putative class action lawsuit captioned *Sgarlata v. PayPal Holdings, Inc., et al.*, Case No. 3:17-cv-06956 was filed in the Court

against the Company, its Chief Executive Officer, its Chief Financial Officer and Hamed Shahbazi, the former chief executive officer of TIO (the “Defendants”) alleging violations of federal securities laws. Specifically, the lawsuit alleges that Defendants made false or misleading statements or failed to disclose that TIO’s data security program was inadequate to safeguard the personally identifiable information of its users, those vulnerabilities threatened continued operation of TIO’s platform, the Company’s revenues derived from TIO services were thus unsustainable, and consequently, the Company overstated the benefits of the TIO acquisition, and, as a result, the Company’s public statements were materially false and misleading at all relevant times. The plaintiff who initiated the lawsuit sought to represent a class of shareholders who acquired shares of the Company’s common stock between February 14, 2017 through December 1, 2017 and sought damages and attorneys’ fees, among other relief. On March 16, 2018, the Court appointed two new plaintiffs, not the original plaintiff who filed the case, as interim co-lead plaintiffs in the case and appointed two law firms as interim co-lead counsel. On June 13, 2018, the interim co-lead plaintiffs filed an amended complaint, which named TIO Networks ULC, TIO Networks USA, Inc., and John Kunze (the Company’s Vice President, Global Consumer Products and Xoom) as additional defendants. The amended complaint is purportedly brought on behalf of all persons other than the Defendants who acquired the Company’s securities between November 10, 2017 and December 1, 2017. The amended complaint alleges that the Company’s and TIO’s November 10, 2017 announcement of the suspension of TIO’s operations was false and misleading because the announcement only disclosed security vulnerabilities on TIO’s platform, rather than an actual security breach that Defendants were allegedly aware of at the time of the announcement. Defendants’ filed their motion to dismiss the amended complaint on July 13, 2018 and the Court heard oral argument on the motion to dismiss on September 20, 2018. On December 13, 2018, the Court dismissed Plaintiff’s amended complaint without prejudice. Plaintiffs filed a second amended complaint on January 14, 2019. We may be subject to additional litigation relating to TIO’s data security platform or the suspension of TIO’s operations in the future.

### **General Matters**

Other third parties have from time to time claimed, and others may claim in the future, that we have infringed their intellectual property rights. We are subject to patent disputes and expect that we will increasingly be subject to additional patent infringement claims involving various aspects of our business as our products and services continue to expand in scope and complexity. Such claims may be brought directly or indirectly against our companies and/or against our customers (who may be entitled to contractual indemnification under their contracts with us), and we are subject to increased exposure to such claims as a result of our acquisitions, particularly in cases where we are introducing new products or services in connection with such acquisitions. We have in the past been forced to litigate such claims, and we believe that additional lawsuits alleging such claims will be filed against us. Intellectual property claims, whether meritorious or not, are time consuming and costly to defend and resolve, could require expensive changes in our methods of doing business, or could require us to enter into costly royalty or licensing agreements on unfavorable terms or make substantial payments to settle claims or to satisfy damages awarded by courts.

**SHAREHOLDINGS AND STOCK OPTIONS OF MEMBERS OF THE ADMINISTRATIVE,  
MANAGEMENT AND SUPERVISORY BODIES**

The following table and notes provide information about the beneficial ownership of the Company's outstanding common stock as of March 12, 2019 (the "Ownership Date"), by (i) each of the Company's executive officers; (ii) each of the Company's current directors; (iii) all of the Company's current directors and executive officers as a group.

Except as otherwise noted, the persons identified have sole voting and investment power with respect to the shares of the Company's common stock beneficially owned. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to the shares.

In each case, the figures shown include options, RSUs and other rights to acquire shares that are exercisable as at the Ownership Date or are scheduled to vest within 60 days of the Ownership Date.

<b>Name of Beneficial Owner</b>	<b>Shares Beneficially Owned†</b>	
	<b>Number</b>	<b>Percent</b>
<i>Executive officers</i>		
Daniel H. Schulman <sup>1</sup>	603,428	*
John D. Rainey <sup>2</sup>	130,093	*
A. Louise Pentland <sup>3</sup>	77,090	*
William J. Ready <sup>4</sup>	216,013	*
Jonathan Auerbach <sup>5</sup>	197,136	*
Aaron Karczmer <sup>6</sup>	14,005	*
Mark Britto <sup>7</sup>	8,171	*
<i>Directors</i>		
Rodney C. Adkins	13,541	*
Wences Casares	18,882	*
Jonathan Christodoro	19,319	*
John J. Donahoe	92,320	*
David W. Dorman	38,066	*
Belinda J. Johnson	11,994	*
Gail J. McGovern	16,039	*
Deborah M. Messemer	0	*
David M. Moffett	71,112	*
Ann M. Sarnoff	11,204	*
Frank D. Yeary	21,956	*
<b>All directors and executive officers as a group (18 persons)<sup>8</sup></b> .....	<b>1,560,369</b>	<b>*</b>

\* Less than 1%.

† This table is based upon information supplied by executive officers and directors. Beneficial ownership is determined in accordance with the rules of the United States Securities and Exchange Commission and generally includes voting or investment power with respect to securities. The persons named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of March 12, 2019, and restricted stock units ("RSUs") that are scheduled to vest within 60 days of March 12, 2019 are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding those options or RSUs, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of beneficial ownership is based on 1,172,746,284 shares of common stock outstanding as of March 12, 2019.

<sup>1</sup> Mr. Schulman is our President and CEO. Includes 28,579 shares Mr. Schulman has the right to acquire pursuant to outstanding options exercisable within 60 days of March 12, 2019, and 72,709 RSUs scheduled to vest within 60 days of March 12, 2019.

<sup>2</sup> Mr. Rainey is our Chief Financial Officer and Executive Vice President, Global Customer Operations. Includes 5,462 shares Mr. Rainey has the right to acquire pursuant to outstanding options exercisable within 60 days of March 12, 2019, and 16,786 RSUs scheduled to vest within 60 days of March 12, 2019.

<sup>3</sup> Ms. Pentland is our Executive Vice President, Chief Business Affairs and Legal Officer. Includes 3,057 shares Ms. Pentland has the right to acquire pursuant to outstanding options exercisable within 60 days of March 12, 2019, and 16,786 RSUs scheduled to vest within 60 days of March 12, 2019.

<sup>4</sup> Mr. Ready is our Executive Vice President, Chief Operating Officer. Includes 115,234 shares Mr. Ready has the right to acquire pursuant to outstanding options exercisable within 60 days of March 12, 2019 and 22,918 RSUs scheduled to vest within 60 days of March 12, 2019].

<sup>5</sup> Mr. Auerbach is our Executive Vice President, Chief Strategy, Growth and Data Officer. Includes 81,498 shares Mr. Auerbach has the right to acquire pursuant to outstanding options exercisable within 60 days of March 12, 2019, and 10,491 RSUs scheduled to vest within 60 days of March 12, 2019.

<sup>6</sup> Mr. Karczmer is our Executive Vice President, Chief Risk, Compliance and Security Officer.

<sup>7</sup> Mr. Britto is our Executive Vice President, Global Sales and Credit.

<sup>8</sup> Includes 241,227 shares subject to options exercisable within 60 days of March 12, 2019 and 143,595 RSUs scheduled to vest within 60 days of March 12, 2019.

## GENERAL INFORMATION ON PAYPAL HOLDINGS, INC.

### Company Name

The Company's legal and commercial name is PayPal Holdings, Inc.

### General Information on PayPal and its Business

PayPal Holdings, Inc. was incorporated in Delaware in January 2015 and is a leading technology platform and digital payments company that enables digital and mobile payments on behalf of consumers and merchants worldwide. PayPal is committed to democratizing financial services and empowering people and businesses to join and thrive in the global economy. Our goal is to enable our consumers and merchants to manage and move their money anywhere in the world, anytime, on any platform and using any device. Our combined payment solutions, including our PayPal, PayPal Credit, Braintree, Venmo, Xoom and iZettle products, compose our proprietary Payments Platform.

PayPal's service enables our customers to send and receive payments. We operate a two-sided network where both merchants and consumers have PayPal accounts with stored balance functionality. Since PayPal serves as a proprietary payment method that is accepted by merchants, we are more than a connection to third-party payment networks. Our service enables the completion of payments on our Payments Platform on behalf of our customers. We offer our customers the flexibility to use their accounts to purchase and receive payment for goods and services, as well as to transfer and withdraw funds. We enable consumers to exchange funds more safely with merchants using a variety of funding sources, which may include a bank account, a PayPal account balance, a PayPal Credit account, a credit or debit card, or other stored value products such as coupons and gift cards. Our PayPal, Venmo and Xoom products also make it safer and simpler for friends and family to transfer funds to each other. We offer merchants an end-to-end payments solution that provides authorization and settlement capabilities, as well as instant access to funds. We help merchants connect with their customers and manage risk. We enable consumers to engage in cross-border shopping and merchants to extend their global reach while reducing the complexity and friction involved in enabling overseas and cross-border trade.

We earn revenues primarily by charging fees for completing payment transactions for our customers and other payment-related services that are typically based on the volume of activity processed on our Payments Platform. Generally, we do not charge consumers to fund or draw from their accounts; however, we generate revenue from consumers on fees charged for foreign currency exchange. We also earn revenue by providing other value added services which comprise revenue earned through partnerships, our PayPal Credit products, subscription fees, gateway services, and other services that we provide to our merchants and consumers. Our gateway services, which include our Payflow Gateway services and Braintree Gateway services, provide the technology that links a merchant's website to its processing network and merchant account and enables merchants to accept payments online with credit or debit cards.

We are a corporation organized under the laws of Delaware, United States of America. Our fiscal year is the calendar year.

### Auditors

Our independent registered public accounting firm is PricewaterhouseCoopers LLP ("PwC"), 488 S Almaden Blvd #1800, San Jose, CA 95110, United States.

PwC is registered with the U.S. Public Company Accounting Oversight Board and a member of the American Institute of Certified Public Accountants. PwC has audited the financial statements of PayPal Holdings, Inc. and has served as the Company's auditor since 2000.

## DESCRIPTION OF THE SECURITIES

### **Type and Class of Securities being offered, including the Security Identification Code**

The securities offered under the ESPP are shares of the Company's common stock with a par value of \$0.0001 per share. The Company's common stock is in registered form.

As of December 31, 2018, the Company was authorized to issue 4,100,000,000 shares, consisting of 4,000,000,000 shares of common stock and 100,000,000 shares of preferred stock, in each case with a par value of \$0.0001 per share. As of the date of this prospectus, there has been no change to our authorized capital since December 31, 2018. As of January 31, 2019, there were 1,173,209,367 shares of common stock outstanding, and no shares of preferred stock issued or outstanding.

The Company's common stock is listed on NASDAQ under the symbol "PYPL". The CUSIP for the shares is 70450Y 10 3. The International Securities Identification Number (ISIN) is US70450Y1038. The German Securities Identification Number (WKN) is A14R7U.

### **Legislation under which the Securities have been Created/Regulation of the Shares**

The shares of the Company's common stock were created under the General Corporation Law of the State of Delaware, United States (the "DGCL") and are regulated by the U.S. Exchange Act.

### **Form of Securities, Name and Address of the Entity in Charge of Keeping the Records**

In general, stockholders may hold shares, at their choosing, either in certificated, direct registration or street name form. The records are kept by the Company's transfer agent, Computershare, who serves as the depository agent for the purpose of this offer. The address, telephone number and web address of Computershare are:

Computershare Shareowner Services  
P.O. Box 505000  
Louisville, KY 40233-5000  
United States

Overnight correspondence should be mailed to:

Computershare Shareowner Services  
462 South 4<sup>th</sup> Street, Suite 1600  
Louisville, KY, 40202  
United States

From the United States: 1-800-522-6645  
From outside the United States: +1 201-680-6578

Stockholder website: [www.computershare.com/investor](http://www.computershare.com/investor)  
Stockholder online inquiries: <https://www-us.computershare.com/investor/Contact>

The Company's designated ESPP broker is E\*TRADE. The address and telephone number of E\*TRADE are:

E\*TRADE Financial Corporation  
P.O. Box 484  
Jersey City, NJ 07303-0484  
United States

From the United States: 1-800-838-0908  
From outside the United States: +1-650-599-0125

Additionally, there are toll-free numbers in certain regions and those numbers are posted on E\*TRADE's website at [https://us.etrade.com/e/t/home/contactus\\_esp](https://us.etrade.com/e/t/home/contactus_esp).

Participating employees receive a statement informing them of the number of shares purchased.

Also, depending on the individual preferences in the participating employee's E\*TRADE account, an email "smart alert" will be sent letting the participating employee know that shares have been purchased. This feature is an opt-in or opt-out based on what the participating employee prefers. E\*TRADE serves as the paying agent for the purpose of this offer.

## **Commission**

On sales of shares obtained upon exercise of the option, a commission is charged by E\*TRADE and the SEC. The fee charged by E\*TRADE is \$9.95 per transaction.

The SEC imposes a fee on the transfer of shares, which the employee may be required to pay. This fee is paid to the SEC at the time of sale and is required for all equity trades. Currently, the fee is equal to \$0.000013 multiplied by the total principal amount of the sale proceeds. The SEC fee is included in the fee charged by E\*TRADE.

## **Currency of the Securities Issue**

The U.S. dollar is the currency of the security issue.

## **Rights Attached to the Securities**

No participating employee shall have any voting, dividend, or other stockholder rights with respect to any offering under an ESPP until the shares have been purchased and delivered to the participating employee as provided in "The Offering" above. Following such purchase and delivery, the participating employee shall be entitled to the rights attached to the shares, as further described below:

### ***Dividend Rights***

Pursuant to Section 151 of the DGCL, the Company elected not to provide dividend rights in its Amended and Restated Certificate of Incorporation ("Certificate of Incorporation"). However, in accordance with Section 170 of the DCGL, the Board, subject to any restrictions contained in the Certificate of Incorporation, is entitled to declare and pay dividends upon the shares of the Company's capital stock either (1) out of the surplus, or (2) in case there shall be no such surplus, out of the Company's net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year as the Board may from time to time determine.

There are no dividend restrictions and no special dividend procedures for stockholders resident in the EU or the European Economic Area. In general, dividends that are unclaimed for three years escheat to the state.

### ***Voting Rights***

Each holder of common stock is entitled to one vote for each share held on all matters submitted to a vote of the Company's stockholders. Any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by consent in writing by the stockholders.

An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be fixed by the Board. Any other proper business may be transacted at the annual meeting.

Special meetings of stockholders of the Company may be called only by

- the Board pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption);
- the Chairman of the Board;
- the Chief Executive Officer; or
- the Secretary of the Company upon the written request of one or more stockholders of record of the Company that together have continuously held, for their own account or on behalf of others, beneficial ownership of at least a twenty percent (20%) "net long position" of the outstanding shares for at least thirty (30) days as of delivery date, subject to certain notice, information and other requirements set forth in the Company's bylaws.

### ***Rights to Receive Liquidation Distributions***

Upon a liquidation, dissolution or winding-up of the Company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the Company's common stock outstanding at that time after payment of any liquidation preferences on any outstanding preferred stock.

### ***No Preemptive, Redemptive or Conversions Provisions***

The shares are not entitled to preemptive rights and are not subject to conversion or redemption.

## **Change of Shareholders' Rights**

The rights of holders of the Company's common stock may be changed only by a formal amendment of the company's articles of incorporation or bylaws, except that the Board may issue preferred stock from time to time in one or more series and may fix the rights, preferences, privileges and restrictions of each series of preferred stock. Any or all of the rights and preferences selected by the Board for any series of preferred stock may be greater than the rights of the common stock. Some of the rights and preferences that the Board may designate include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and sinking fund terms.

## **Transferability**

The shares in this offering under the ESPP are or will be registered on a registration statement on Form S-8 with the SEC and are generally freely transferable.

The ESPP is intended to provide shares for investment and not for resale. PayPal does not, however, intend to restrict or influence any participating employee in the conduct of his or her own affairs. A participating employee, therefore, may sell shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws and our insider trading policy. The participating employee assumes the risk of any market fluctuations in the price of the shares.

## **Applicable Squeeze-out and Sell-out Rules**

Under Section 253 of the DGCL, a corporation owning at least 90% of the outstanding shares of each class of the stock of a subsidiary corporation may effect a "short form" merger in which the shares of the subsidiary held by minority stockholders are converted into cash, stock or other property and the subsidiary is merged with the parent corporation. A short form merger pursuant to Section 253 may be authorized by the board of directors of the parent corporation without any requirement for action to be taken by the board of directors of the subsidiary and without a vote of the stockholders of the subsidiary corporation. The minority stockholders of the subsidiary corporation are, however, entitled to seek judicial appraisal of their shares in connection with short form merger transactions in accordance with Section 262 of the DGCL.

Section 251(h) of the DGCL, subject to certain exceptions, permits parties entering into a merger agreement to "opt in" to eliminate a target stockholder vote on a back-end merger following a tender or exchange offer in which the acquirer accumulates sufficient shares to approve the merger agreement (a majority unless the target has adopted a higher vote requirement) but less than the 90% necessary to effect a short-form merger.

See also "Risk Factors—Risks Related to Our Common Stock—Certain provisions in our Certificate of Incorporation and bylaws may prevent or delay an acquisition of PayPal, which could decrease the trading price of PayPal common stock".

## **Stock Based Compensation Plans**

In addition to the ESPP, the Company has established certain equity incentive plans.

Except for the ESPP, the Company's stock based compensation plans do not trigger a prospectus requirement under the European Prospectus Directive. Therefore, neither those awards nor the underlying shares for such awards form the subject matter of this prospectus.

## **Equity Incentive Plans**

Under the terms of the PayPal Holdings, Inc. Amended and Restated 2015 Equity Incentive Award Plan (the "Plan"), equity awards, including stock options, restricted stock units ("RSUs"), restricted stock awards ("RSAs"), performance based restricted stock units ("PBRs"), deferred stock units ("DSUs"), and stock payments may be granted to our directors, officers, and employees. In May 2018, our stockholders approved increasing the number of shares reserved for issuance under the Plan by an additional 37 million shares. At December 31, 2018, there were 97 million shares authorized under the Plan and 71 million shares were available for future grant. Shares issued as a result of stock option exercises and the release of stock awards were funded primarily with the issuance of new shares of common stock.

All stock options granted under the Plan generally vest 12.5% six months from the date of grant (or 25% one year from the date of hire for grants to new employees) with the remainder vesting at a rate of 2.08% per month thereafter, and generally expire seven years from the date of grant. The cost of stock options is determined using the Black-Scholes option pricing model on the date of grant. We discontinued granting stock options in January 2016.



RSUs are granted to eligible employees under the Plan. In general, RSUs vest in equal annual installments over a period of three years, are subject to an employee's continuing service to us, and do not have an expiration date. The cost of RSUs granted is determined using the fair market value of PayPal's common stock on the date of grant

Certain of our executives and non-executives are eligible to receive PBRsUs, which are equity awards that may be earned based on an initial target number with the final number of PBRsUs that may be vested and settled determined based on the Company's performance against pre-established performance metrics over a predefined performance period. PBRsUs granted under the Plan generally have one to three-year performance periods with cliff vesting following the completion of the performance period, subject to the Compensation Committee's approval of the level of achievement against the pre-established performance targets. Over the performance period, the number of PBRsUs that may be issued and related stock-based compensation expense that is recognized is adjusted upward or downward based upon the probability of achieving the approved performance targets against the performance metrics. Depending on the probability of achieving the pre-established performance targets, the number of PBRsUs issued could range from 0% to 200% of the target amount.

### ***Stock Option Activity***

The following table summarizes stock option activity of our employees under our equity incentive plans for the year ended December 31, 2018:

	Shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
	(in thousands)	(\$)	(years)	(\$ in thousands)
Outstanding at January 1, 2018.....	2,440	28.94		
Assumed .....	160	20.24		
Exercised.....	(1,370)	29.28		
Forfeited/expired/cancelled.....	<u>(47)</u>	28.07		
Outstanding at December 31, 2018.....	<u>1,183</u>	27.39	4.45	67,311
Expected to vest .....	293	24.78	5.30	17,414
Options exercisable .....	863	28.47	4.11	48,203

The weighted average grant date fair value of options assumed from acquisitions during the years ended December 31, 2018, 2017, and 2016 was \$72.02, \$49.47 and \$8.79, respectively. The aggregate intrinsic value was calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock at December 31, 2018. During the years ended December 31, 2018, 2017, and 2016, the aggregate intrinsic value of options exercised under the Plan was \$71 million, \$53 million, and \$31 million, respectively, determined as of the date of option exercise. At December 31, 2018, 1.2 million options were in-the-money.

### ***RSU, PBRsU and Restricted Stock Activity***

The following table summarizes the RSUs, PBRsUs, and restricted stock activity under the Plan as of December 31, 2018 and changes during the year ended December 31, 2018:

	Units (in thousands)	Weighted Average Grant Date Fair Value (\$ per share)
Outstanding at January 1, 2018.....	33,875	41.14
Awarded <sup>(1), (2)</sup> .....	15,131	73.69
Vested <sup>(1)</sup> .....	(17,903)	40.92
Forfeited.....	<u>(3,141)</u>	52.56
Outstanding at December 31, 2018.....	<u>27,962</u>	57.81
Expected to vest .....	25,177	

(1) Includes approximately 2.1 million additional PBRsUs issued in respect of company performance in connection with the Company's 2017 annual incentive plan.

(2) Includes 742,335 shares of restricted common stock issued as a part of the iZettle acquisition.

During the years ended December 31, 2018, 2017, and 2016, the aggregate intrinsic value of RSUs and PBRsUs vested under the Plan was \$1.4 billion, \$519 million, and \$378 million, respectively.

In the year ended December 31, 2018, the Company granted 1.6 million PBRsUs with a one-year performance period (fiscal 2018) and cliff vesting following the completion of the performance period in February 2019 (one year from the annual incentive award cycle grant date) and 0.8 million PBRsUs with a three-year performance period. Additionally, in the year ended December 31, 2018, the Company granted 0.4 million PBRsUs with a five-year performance period based on market conditions; the number of PBRsUs that may be issued under this award is fixed.

In the year ended December 31, 2017, the Company granted 2.9 million PBRsUs with a one-year performance period and cliff vesting following the completion of the performance period in February 2018 (one year from the annual incentive award cycle grant date) and 1.3 million PBRsUs with a three-year performance period.

### Stock Repurchase Activity

In April 2017, our Board of Directors authorized a stock repurchase program that provides for the repurchase of up to \$5 billion of our common stock, with no expiration from the date of authorization. This program became effective in December 2017 upon completion of a previous stock repurchase program. In July 2018, our Board of Directors authorized an additional stock repurchase program that provides for the repurchase of up to \$10 billion of our common stock, with no expiration from the date of authorization. This program will become effective upon completion of the April 2017 stock repurchase program. Our stock repurchase programs are intended to offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, may also be used to make opportunistic repurchases of our common stock to reduce outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions including accelerated share repurchase agreements or other means at times and in such amounts as management deems appropriate, and will be funded from our cash from operations or other financing alternatives. Moreover, any stock repurchases are subject to market conditions and other uncertainties and we cannot predict if or when any stock repurchases will be made. We may terminate our stock repurchase programs at any time without notice.

The stock repurchase activity under our stock repurchase programs during the three months ended December 31, 2018 is summarized as follows:

	Total number of shares repurchased (in millions)	Average price paid per share <sup>(1)</sup> (\$)	Total number of shares purchased as part of publicly announced plans or programs (\$ in millions)	Approximate dollar value of shares that may yet be purchased under the plans or programs (\$ in millions)
October 1, 2018 through October 31, 2018.....	—	—	—	12,074
November 1, 2018 through November 30, 2018	1.1	84.21	1.1	11,980
December 1, 2018 through December 31, 2018....	<u>6.0</u>	84.18	<u>6.0</u>	<u>11,474</u>
	<u>7.1</u>		<u>7.1</u>	<u>11,474</u>

(1) Average price paid per share includes broker commissions.

No activity has occurred to date under the July 2018 repurchase program.

## INFORMATION ON THE GOVERNING BODIES OF PAYPAL HOLDINGS, INC.

### The Company's Directors as of the Date of this Prospectus

As of the date of this prospectus the directors of the Company are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
John J. Donahoe	58	Chairman
Daniel H. Schulman	61	Director; President and Chief Executive Officer
Rodney C. Adkins	60	Director
Wences Casares	45	Director
Jonathan Christodoro	42	Director
David W. Dorman	65	Director
Belinda J. Johnson	52	Director
Gail J. McGovern	67	Director
Deborah M. Messemer	61	Director
David M. Moffett	67	Director
Ann M. Sarnoff	57	Director
Frank D. Yeary	55	Director

**John J. Donahoe** has served as Chairman of the PayPal Board since July 2015. Since April 2017, Mr. Donahoe has served as the President and Chief Executive Officer of ServiceNow, Inc., an enterprise cloud company. He served as the President and Chief Executive Officer of eBay from March 2008 to July 2015, and was a director of eBay, from January 2008 to July 2015. From March 2005 to January 2008, Mr. Donahoe served as President, eBay Marketplaces. From January 2000 to February 2005, Mr. Donahoe served as the Worldwide Managing Director of Bain & Company. Mr. Donahoe also serves on the Board of Directors of Nike, Inc. and ServiceNow, Inc.

**Daniel H. Schulman** has served as President and Chief Executive Officer of PayPal since July 2015. He had served as the President and CEO-Designee of PayPal from September 2014 until July 2015. From August 2010 to August 2014, Mr. Schulman served as Group President, Enterprise Group of American Express Company, a financial services company. Mr. Schulman was President, Prepaid Group of Sprint Nextel Corporation, a cellular phone service provider, from November 2009 until August 2010, when Sprint Nextel acquired Virgin Mobile, USA, a cellular phone service provider. Mr. Schulman served on the Board of Directors of Flex Ltd. from June 2009 to August 2018. Mr. Schulman also serves on the Board of Directors of Symantec Corporation and Verizon Communications Inc.

**Rodney C. Adkins** has served as a director of PayPal since September 2017. Since January 2015, Mr. Adkins has served as the President of 3RAM Group LLC, a privately held company specializing in capital investments, business consulting services and property management. Formerly, Mr. Adkins was Senior Vice President of International Business Machines Corporation (IBM), having served in that position from 2007 until 2014. In his more than 30-year career with IBM, Mr. Adkins held a number of development and management roles, including Senior Vice President of Corporate Strategy from April 2013 to April 2014, Senior Vice President of Systems and Technology Group from October 2009 to April 2013, Senior Vice President of Development & Manufacturing from May 2007 to October 2009, and Vice President of Development of IBM Systems and Technology Group from December 2003 to May 2007. Mr. Adkins serves on the Board of Directors of Avnet, Inc., PPL Corporation, United Parcel Service, Inc., and W.W. Grainger, Inc.

**Wences Casares** has served as a director of PayPal since January 2016. He is the Founder of Xapo Inc., a bitcoin wallet and vault startup, and has served as its Chief Executive Officer since March 2014. From October 2011 to March 2014, Mr. Casares was Founder and Chief Executive Officer of Lemon Inc., a digital wallet platform. From March 2007 to October 2011, Mr. Casares was Co-Chief Executive Officer of Bling Nation Ltd., a mobile payments platform. He also serves on the Board of Directors of Endeavor Global.

**Jonathan Christodoro** has served as a director of PayPal since July 2015. He was previously a board member of eBay from March 2015 to July 2015. Mr. Christodoro served as a Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages investment funds, from July 2012 to February 2017. Prior to joining Icahn Capital, Mr. Christodoro served in various investment and research roles at P2 Capital Partners, LLC, a company with investments in technology and distribution, from March 2007 to July 2012. Mr. Christodoro began his career as an investment banking analyst at Morgan Stanley, where he focused on merger and acquisition transactions across a variety of industries. Mr. Christodoro also serves on the Board of Directors of Enzon Pharmaceuticals, Inc., Herbalife Ltd, Xerox Corporation and SandRidge Energy, Inc. Mr. Christodoro was previously a director of: Hologic, Inc., a supplier of diagnostic, medical imaging and surgical products, from

December 2013 to March 2016; eBay, a global commerce and payments company, from March 2015 to July 2015; Talisman Energy Inc., an independent oil and gas exploration and production company, from December 2013 to May 2015; American Railcar Industries, Inc., a railcar manufacturing company, from June 2015 to February 2017; and Cheniere Energy, Inc. from August 2015 to August 2017.

**David W. Dorman** has served as a director of PayPal since June 2015. He previously served as a board member of eBay from June 2014 to July 2015. Mr. Dorman has been the Non-Executive Chairman of the Board of CVS Health Corporation, a pharmacy healthcare provider, since May 2011, and is the former Chairman and Chief Executive Officer of AT&T Corporation, a telecommunications company (formerly known as SBC Communications Inc.). He is also Founding Partner of Centerview Capital, a private investment firm, since July 2013. He was formerly Non-Executive Chairman of the Board of Motorola Solutions, Inc. (formerly Motorola, Inc. He served as Non-Executive Chairman of the Board of Motorola, Inc. from May 2008 until the separation of its mobile devices and home businesses in January 2011. From October 2006 to May 2008, he was a Senior Advisor and Managing Director to Warburg Pincus LLC, a global private equity firm. From November 2005 until January 2006, Mr. Dorman served as President and a director of AT&T Corporation. From November 2002 until November 2005, Mr. Dorman was Chairman of the Board and Chief Executive Officer of AT&T Corporation. Prior to this, he was President of AT&T Corporation from 2000 to 2002 and the Chief Executive Officer of Concert Communications Services, a former global venture created by AT&T Corporation and British Telecommunications plc, from 1999 to 2000. Mr. Dorman also serves on the Board of Directors of CVS Health Corporation and as a Trustee for Georgia Tech Foundation, Inc. He was a board member of Yum! Brands until May 2017.

**Belinda J. Johnson** has served as a director of PayPal since January 2017. In February 2018, she was appointed as the Chief Operating Officer of Airbnb, Inc. Prior to this, she was the Chief Business Affairs and Legal Officer of Airbnb, from July 2015 to February 2018 and joined Airbnb as General Counsel in December 2011. Prior to joining Airbnb, from August 1999 until August 2011, Ms. Johnson served in various positions at Yahoo! Inc., a digital information platform, including most recently as Senior Vice President and Deputy General Counsel. From November 1996 to August 1999, Ms. Johnson was General Counsel of Broadcast.com, Inc., an Internet broadcasting company.

**Gail J. McGovern** has served as a director of PayPal since June 2015. She previously served as a board member of eBay from March 2015 to July 2015. Ms. McGovern is the President and Chief Executive Officer of the American Red Cross, a humanitarian organization, and has served in that position since June 2008. Ms. McGovern also serves as a trustee of John Hopkins Medicine, a director of DTE Energy Company, and an advisor to The Weather Channel.

**Deborah M. Messemer** has served as a director of PayPal since January 2019. From 2008 through her retirement in September 2018, Ms. Messemer served as a Managing Partner for KPMG, one of the world's leading professional services firms. Prior to this, Ms. Messemer spent 26 years as an Audit Partner or Senior Account Executive for KPMG clients in a variety of industry sectors including financial services and technology. Ms. Messemer has served on the Board of Directors of Allogene Therapeutics since September 2018, and also serves on the Board of Directors of Carbon, Inc.

**David M. Moffett** has served as a director of PayPal since June 2015 and as Lead Independent Director since from July 2015 through December 2018. He was previously a board member of eBay from July 2007 to July 2015. Mr. Moffett served as Chief Executive Officer of Federal Home Loan Mortgage Corp. ("Freddie Mac") from September 2008 until his retirement in March 2009. He also served as a director of Freddie Mac from December 2008 to March 2009. In 1993, Mr. Moffett joined Star Banc Corporation, a bank holding company, as Chief Financial Officer and during his tenure played an integral role in the acquisition of Firststar Corporation in 1998 and later U.S. Bancorp in 2001. Mr. Moffett remained Chief Financial Officer of U.S. Bancorp until 2007. Mr. Moffett also serves on the Board of Directors of CSX Corporation, Genworth Financial, Inc. and as a Trustee for Columbia Atlantic Mutual Funds and University of Oklahoma Foundation and as a consultant to various financial services companies.

**Ann M. Sarnoff** has served as a director of PayPal since June 2017. Since August 2015, Ms. Sarnoff has served as the President of BBC Worldwide Americas, a media company that delivers high-quality, innovative and intelligent programming. From 2010 through July 2015, she served as Chief Operating Officer of BBC Worldwide North America. She is also the chair of the board of BritBox, a joint venture subscription streaming service launched in partnership with ITV in March of 2017, and sits on the board, operating committee and editorial committee of BBC America, a joint venture with AMC Networks. From June 2006 until joining BBC Worldwide in 2010, Ms. Sarnoff was President of Dow Jones Ventures and Senior Vice President of Strategy for Dow Jones & Company, Inc. She is also a member of the board of Georgetown University, as the vice chair of the McDonough School of Business at Georgetown, and is on the board of the Harvard Business School

Women’s Association of New York. Ms. Sarnoff previously served on the Board of HSN, Inc., an interactive multichannel retailer from December 2012 to December 2017.

**Frank D. Yeary** has served as a director of PayPal since July 2015 and he previously served as a board member of eBay. Mr. Yeary is Managing Member at Darwin Capital Advisors, LLC, a private investment firm and was Executive Chairman of CamberView Partners, LLC, a corporate advisory firm, until 2018. Prior to this time, Mr. Yeary was Vice Chancellor of the University of California, Berkeley and before that spent 25 years in the finance industry, including as Global Head of Mergers and Acquisitions and as a member of the Management Committee at Citigroup Investment Banking. Mr. Yeary also serves on the Board of Directors of Intel Corporation and a number of private companies.

The Company’s directors may be contacted at the Company’s business address, 2211 North First Street, San Jose, California 95131, United States.

### **The Company’s Executive Officers as of the Date of this Prospectus**

As of the date of this prospectus the executive officers of the Company and their principal positions are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Daniel H. Schulman	61	President and Chief Executive Officer
Jonathan Auerbach	56	Executive Vice President, Chief Strategy, Growth and Data Officer
Mark Britto	54	Executive Vice President, Global Sales and Credit
Aaron Karczmer	47	Executive Vice President, Chief Risk, Compliance and Security Officer
A. Louise Pentland	46	Executive Vice President, Chief Business Affairs & Legal Officer
John D. Rainey	48	Chief Financial Officer and Executive Vice President, Global Customer Operations
William J. Ready	39	Executive Vice President, Chief Operating Officer

For biographical information on Mr. Schulman, see “—The Company’s Directors as of the Date of this Prospectus” above.

**Jonathan Auerbach** has served PayPal as Executive Vice President, Chief Strategy, Growth and Data Officer since January 2018. From September 2016 to January 2018, he served as Executive Vice President, Chief Strategy and Growth Officer. From July 2015 to September 2016, he served as Senior Vice President, Chief Strategy and Growth Officer. Prior to joining PayPal, he served as CEO of SingTel’s Group Digital Life, where he was responsible for a global portfolio of mobile video, digital advertising and analytics businesses, and managed Innov8, SingTel’s corporate venture fund. Before SingTel, Mr. Auerbach spent 26 years as a management consultant with McKinsey & Company. At McKinsey, he held a variety of executive roles, including leading the Asian Telecommunications, Media and Technology Practice; the Singapore Office and the Southeast Asia Region; and the North American High Tech Practice.

**Mark Britto** has served as our Executive Vice President, Global Sales and Credit, since February 2019. He previously served as SVP of Global Credit and Core Markets. Before joining PayPal, Mr. Britto worked at Boku, a company he founded and spent nearly a decade building. Before Boku, Mr. Britto served as CEO of Ingenio, a service marketplace and performance advertising company, which he led to a 2007 acquisition by AT&T. His first company, Accept.com, was bought by Amazon in 1999 and served as the primary backbone of Amazon’s global payments platform. Mark spent four years as Senior Vice President of Worldwide Services and Sales at Amazon. Mark began his career in senior credit and risk management roles at leading national banks FirstUSA and Bank of America.

**Aaron Karczmer** has served PayPal as Executive Vice President, Chief Risk, Compliance and Security Officer since April 2017. From September 2016 to March 2017, he served as Senior Vice President, Chief Compliance and Ethics Officer. From May 2016 to September 2016, he served as Senior Vice President, Chief Compliance Officer. Prior to joining PayPal in 2016, Mr. Karczmer spent nearly a decade at American Express serving in a variety of compliance leadership roles, most recently as Senior Vice President, Deputy Chief Compliance Officer and Head of Global Financial Crime Compliance. From September 2007 to May 2011, he served as Vice President, Financial Intelligence Unit — AML Enterprise Surveillance, Investigations & Technology of American Express.

**A. Louise Pentland** has served PayPal as Executive Vice President, Chief Business Affairs and Legal Officer since September 2016. From September 2015 to September 2016, she served as Senior Vice President, Chief Legal Officer and Secretary. From July 2015 to September 2015, she served as Senior Vice President, General

Counsel and Secretary. Before joining PayPal, Ms Pentland served as Executive Vice President and Chief Legal Officer at Nokia Corporation. Ms Pentland also serves on the Board of Directors of Hitachi Ltd.

**John D. Rainey** has served PayPal as Chief Financial Officer and Executive Vice President, Global Customer Operations since January 2018. From September 2016 to January 2018, he served as Executive Vice President, Chief Financial Officer. From August 2015 to September 2016, he served as Senior Vice President, Chief Financial Officer. Prior to PayPal, Mr. Rainey served as Executive Vice President and CFO at United Continental Holdings, Inc.'s United Airlines, one of the world's largest airlines. He spent a combined 18 years between United and Continental Airlines. In this role, he was responsible for the company's overall financial strategy and corporate strategy function overseeing corporate finance, treasury, financial planning and analysis, tax, accounting, investor relations, strategic planning and risk management. He began his professional career at Ernst & Young LLP in Houston. Mr. Rainey also serves on the Board of Directors of Nasdaq, Inc., as a member on the March of Dimes national board of trustees, and on the advisory board for Baylor University's Hankamer School of Business.

**William J. Ready** has served PayPal as Executive Vice President, Chief Operating Officer since September 2016. He joined PayPal in 2013 as CEO of Braintree and Venmo, which PayPal acquired for \$800 million. Prior to Braintree, Mr. Ready was Executive in Residence at Accel Partners, a leading Silicon Valley venture capital and growth equity firm. He also served as president of iPay Technologies and as a strategy consultant for McKinsey & Company, where he advised leading financial technology companies, and was an early engineer at two other successful start-ups: emphesys (merged with Humana in 2001) and Netzee (IPO November 1999).

The Company's executive officers may be contacted at the Company's business address, 2211 North First Street, San Jose, California 95131, United States.

#### **Good Standing of Directors and Executive Officers**

For at least the previous five years none of the directors or executive officers of PayPal has been associated with any bankruptcy, receivership or liquidation of a company when acting in their capacity as members of the administrative, management or supervisory board or senior manager of this company or has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies). None of the directors or executive officers of the Company has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer or has been convicted in relation to fraudulent offences.

#### **Potential Conflicts of Interest Between Any Duties to the Issuer of Directors or Executive Officers of the Company and Their Private Interests and/or Other Duties**

There are no potential conflicts between any duties to the Issuer of directors and executive offices of PayPal and their private interests and other duties.

There is no family relationship between any of the executive officers and directors listed above.

#### **Disposal Restrictions Agreed by Directors and Executive Officers of the Company**

Trading windows apply for directors and executive officers. The trading windows are determined according to the press release dates of the Company's financial information each quarter, with the stock trading window typically opening on the second business day following the Company's release of earnings and remaining open until the 10<sup>th</sup> day of the last calendar month of the quarter. Directors and executive officers are subject to PayPal's stock trading policy.

## TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following is a general summary description of the tax consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in Germany as of the date of this prospectus. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you are granted an award, acquire shares or sell shares you acquire under the ESPP.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and PayPal is not in a position to assure you of any particular tax result. **Accordingly, you should seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation. You should also seek advice with respect to U.S. inheritance and/or estate taxes as you may be subject to those with respect to shares acquired under the ESPP.**

If you are a citizen or resident of a country other than Germany, the information contained in this description may not be applicable to you.

Note: The particular terms of any awards granted to you under the ESPP are set forth in the applicable plan and subscription agreement ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. The ability to participate in the ESPP is neither a contract nor a guarantee of continued employment; employment is and always will be on the basis as provided for in your employment agreement. The ESPP is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

### Enrollment in the ESPP

You are not subject to tax when an option is granted to you under the ESPP (*i.e.*, when you enroll in the ESPP or are offered participation in the ESPP) or a new purchase period begins.

### Purchase of Shares

When shares are purchased, you will be subject to income tax (plus solidarity surcharge and church tax, if applicable, on your income tax liability). According to the position adopted by German tax authorities, the taxable benefit is the difference (or discount) between the fair market value of the shares on the date of purchase and the purchase price. You also will be subject to social insurance contributions on the discount to the extent that your income has not already exceeded the applicable income ceiling.

You may be able to deduct €360 from the discount per calendar year if you purchase shares under the ESPP after March 30, 2009, and the requirements outlined in Section 3 no. 39 of the German Income Tax Act are met. You should confirm the availability of this deduction with your personal tax advisor.

### Dividends

In the event that the Company exercises its discretion to pay a dividend on the shares, any dividends paid will in general be subject to taxation in Germany and to U.S. federal tax withheld at source.

For German tax purposes, any dividend payments that you receive are, in principle, subject to a flat rate tax of 25% on the full amount of the dividend payment (plus solidarity surcharge and church tax, if applicable). The annual tax-free amount for investment income including, *inter alia*, dividends and capital gains from the sale of shares, amounts to €801 for single taxpayers or €1,602 for married taxpayers and for partners within the meaning of the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly, respectively.

Assuming that a tax withholding at source does not apply in Germany because you do not hold the shares in a deposit account of securities at a German bank or other German financial institution, you are required to declare the dividend income in your personal income tax return as taxable income and pay the resulting tax yourself. The Company does not assume any responsibility for tax withholding at source in Germany. If the flat tax rate exceeds your personal income tax rate, you may apply your lower personal income tax rate. Within certain limitations, non-German taxes may be credited against the German income tax liability on dividends.

Further, for U.S. tax purposes, any dividends paid will be subject to U.S. federal tax withheld at source at a rate of 30%. However, pursuant to the provisions of the Germany-U.S. Double Tax Treaty, German residents may claim a reduced rate of U.S. withholding tax on such dividends of 15%. You must complete U.S. IRS W-8BEN tax form in order to claim the treaty benefit.

*The taxation of dividends is complicated; in the event a dividend is paid on the shares, please consult with your personal tax advisor to determine your individual tax consequences.*

### **Sale of Shares**

When you subsequently sell the shares that you purchased under the ESPP, any capital gain, (i.e., the difference between the sale price and the fair market value of the shares at the time of purchase less sales related costs) will generally be subject to taxation in Germany.

If you sell shares that were purchased under the ESPP on or after January 1, 2009, the taxable amount will be subject to capital gains tax at a flat rate of 25% (plus solidarity surcharge and church tax, if applicable, on your income tax liability), provided that you do not own 1% or more of the Company's stated capital (and have not owned 1% or more at any time in the last five years) and the shares are not held as business assets. There is an annual tax-free amount for the entire investment income including, *inter alia*, dividends and capital gains from the sale of shares, of €801 for single taxpayers or €1,602 for married taxpayers and for partners within the meaning of the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly.

The flat rate tax does not apply if you hold the shares which you purchased under the ESPP as business assets or if you own 1% or more of the Company's stated capital (or have owned 1% or more at any time in the last five years). In such a case, 60% of the capital gain will be subject to tax at your personal income tax rate.

Assuming that a tax withholding at source does not apply because you do not hold the shares in a deposit account of securities at a German bank or other German financial institution, you are required to declare any taxable capital gain in your personal income tax return as taxable income and pay the resulting tax yourself. The Company does not assume any responsibility for tax withholding at source in Germany. If the flat tax rate exceeds your personal income tax rate, you may apply your lower personal income tax rate.

If you sell shares that were acquired prior to January 1, 2009, different tax treatment will apply. Please consult with your personal tax advisor to determine the tax consequences associated with the sale of shares acquired prior to January 1, 2009.

### **Withholding and Reporting**

Your employer will withhold income tax (plus solidarity surcharge and church tax, if applicable) due on the discount at purchase and report the income you recognized at purchase and remit taxes withheld on such income to the German tax authorities.

Depending on your personal tax situation, you may be required to file a tax return with the German tax authorities on which you must report any income you realize in connection with your participation in the ESPP. You are responsible for paying any difference between your actual tax liability and the amount withheld by your employer. It is also your responsibility to report any income you realize upon the sale of shares or receipt of dividends and to pay any applicable taxes due on such income, provided that a tax withholding at source with respect to capital gains or dividends does not apply in Germany.

### **Social Security**

Your employer will also withhold social insurance contributions due on the discount (to the extent that you have not already reached the applicable ceiling for social insurance contributions) when shares are purchased for you under the ESPP.



## TAXATION IN IRELAND

The following section summarizes the main taxation consequences of participating in the ESPP in Ireland.

The questions and answers are necessarily general in nature and do not purport to be tax advice in relation to the participating employee's particular circumstances. The advice merely provides a guide to the taxation consequences as of February 2019 which may arise to an Irish tax resident individual who participates in the ESPP. If the participating employee performs duties in countries other than Ireland during the term of his or her participation in the ESPP, the participating employee's specific tax and reporting requirements may differ from those set forth below and he or she should consult his or her personal tax advisor. The participating employee may be required to pay additional taxes in both the home and host countries. Dual tax return filings may also be required. Note that as taxation laws change frequently the information contained in the supplement may be out of date at the time the participating employee purchases shares or sells shares and it does not discuss all of the various laws, rules and regulations that may apply.

If the participating employee intends to participate in the ESPP, then the participating employee should not rely on this advice as anything other than a broad guide to the potential taxation consequences which may arise as of February 2019.

The participating employee should obtain independent taxation advice specific to his or her particular circumstances in relation to his or her participation in the ESPP.

Note: The particular terms of any awards granted to you under the ESPP are set forth in the applicable plan and subscription agreement ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. The ability to participate in the ESPP is neither a contract nor a guarantee of continued employment; employment is and always will be on the basis as provided for in your employment agreement. The ESPP is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

### **Enrollment in the ESPP**

The participating employee will not be subject to tax when he or she enrolls in the ESPP or a new purchase period begins.

### **Purchase of Shares**

When shares are purchased under the ESPP, the participating employee will be subject to income tax on the difference (or discount) between the fair market value of the shares on the purchase date and the purchase price. He or she will pay income taxes at his or her marginal income tax rate, up to a maximum of 40%.

If the participating employee is a standard rate taxpayer (i.e., he or she is paying income taxes at the 20% marginal tax rate), he or she may make an application to the Irish Revenue to obtain permission to calculate his or her tax liability at this rate. If he or she does not receive permission within the 30-day period mentioned below, he or she must calculate his or her tax liability at his or her marginal income tax rate and he or she may seek a refund for the difference.

Universal Social Charge (USC) will be due on the discount at purchase at the highest rate of USC (currently 8%), unless the participating employee obtains Irish Revenue's permission to apply a lower rate of USC. In addition, Pay Related Social Insurance (PRSI) of 4%, uncapped, will also apply on the discount at purchase.

### **Dividends**

In the event that the Company exercises its discretion to pay a dividend on the shares, any dividends paid will in general be subject to taxation in Ireland and to U.S. federal tax withheld at source.

Dividends received will be subject to income tax in Ireland at marginal tax rates, as well as USC (at rates up to 8% depending on the participating employee's income level). In addition, depending on the participating employee's personal circumstances, the participating employee may also be subject to employee PRSI on any dividends received. You are required to declare the dividend income in your personal income tax return as taxable income and pay the resulting tax yourself.

Further, for U.S. tax purposes, any dividends paid will be subject to U.S. federal tax withheld at source at a rate of 30%. However, pursuant to the provisions of the Ireland-U.S. Double Tax Treaty, Irish residents may claim a reduced rate of U.S. withholding tax on such dividends. You must complete U.S. IRS W-8BEN tax form in order to claim the treaty benefit. You also may be entitled to a tax credit in Ireland for the U.S. federal tax withheld at source.

*The taxation of dividends is complicated; in the event a dividend is paid on the shares, please consult with your personal tax advisor to determine your individual tax consequences.*

### **Sale of Shares**

When the participating employee sells his or her shares, he or she will be subject to capital gains tax (assuming there is a gain). The gain will be calculated as the sales price less the fair market value of the shares at purchase. He or she will be subject to tax on any gain realized at a flat rate of 33%, subject to an annual exemption of EUR 1,270.

If the sales price of the shares is lower than the fair market value of the shares at purchase, the participating employee will realize a capital loss (i.e. loss from the sale of shares). He or she may be able to offset his or her capital loss from any capital gains he or she realizes in the same year or subsequently.

If the participating employee makes various purchases and sales of stock at different times, his or her capital gains position may become complicated. There are matching rules to establish which shares he or she is deemed to have sold for purposes of determining his or her capital gain or loss and he or she cannot choose which shares to sell. Accordingly, the participating employee should consult his or her personal tax advisor in this situation.

### **Withholding and Reporting**

For purchases occurring on or after July 1, 2012, the participating employee's employer is not required to withhold and report income tax, USC and PRSI arising from the purchase of his or her shares.

The participating employee's employer is required to provide details regarding the grant of share purchase right and purchase of shares on a special disclosure (Form 'RSS1') which must be submitted before March 31 following the end of the tax year to the local revenue office. Since 2014, the RSS1 required information must be submitted in electronic format.

In the absence of employer withholding at source, the participating employee should declare share benefits from purchase within 30 days of the date of purchase on Form RTSO1 and he or she should pay the income taxes, USC and PRSI due at this time. If he or she obtained approval to apply a reduced rate of income tax or USC, he or she should send a copy of this approval with the return. He or she should also include details of the taxable income on his or her year-end tax return, which is filed by the participating employee under the self-assessment system.

In any event, if the participating employee realizes capital gains upon sale of the underlying shares, he or she must report and pay the taxes on his or her self-assessment return. Capital taxes arising in respect of disposals between January 1 and November 30 must be paid by December 15 of the year of disposal. Capital taxes arising in December must be paid by January 31 of the following year.

PayPal does not assume any responsibility to withhold taxes at source.

## TAXATION IN SWEDEN

The following section summarizes the main taxation consequences of participating in the ESPP in Sweden.

The questions and answers are necessarily general in nature and do not purport to be tax advice in relation to the participating employee's particular circumstances. The advice merely provides a guide to the taxation consequences as of February 2019 which may arise to a Swedish tax resident individual who participates in the ESPP. If the participating employee performs duties in countries other than Sweden during the term of his or her participation in the ESPP, the participating employee's specific tax and reporting requirements may differ from those set forth below and he or she should consult his or her personal tax advisor. The participating employee may be required to pay additional taxes in both the home and host countries. Dual tax return filings may also be required. Note that as taxation laws change frequently the information contained in the supplement may be out of date at the time the participating employee purchases shares or sells shares and it does not discuss all of the various laws, rules and regulations that may apply.

If the participating employee intends to participate in the ESPP, then the participating employee should not rely on this advice as anything other than a broad guide to the potential taxation consequences which may arise as of February 2019.

The participating employee should obtain independent taxation advice specific to his or her particular circumstances in relation to his or her participation in the ESPP.

Note: The particular terms of any awards granted to you under the ESPP are set forth in the applicable plan and subscription agreement ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. The ability to participate in the ESPP is neither a contract nor a guarantee of continued employment; employment is and always will be on the basis as provided for in your employment agreement. The ESPP is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

### **Enrollment in the ESPP**

You are not subject to tax when an option is granted to you under the ESPP (*i.e.*, when you enroll in the ESPP or are offered participation in the ESPP) or a new purchase period begins.

### **Purchase of Shares**

When shares are purchased, you will be subject to income tax at your marginal income tax rate on the difference (or discount) between the market value of the shares on the purchase date and the purchase price of the shares. General pension contributions will also apply on the discount, to the extent the applicable contribution ceiling has not been exceeded.

### **Dividends**

If you acquire shares of the Company's common stock and if the Company declares a dividend on the shares, you will be subject to income tax in Sweden on any dividend payments that you receive. You are responsible for reporting the dividend amount and paying any Swedish tax due on the dividends paid on your shares.

Further, for U.S. tax purposes, any dividends paid will be subject to U.S. federal tax withheld at source at a rate of 30%. However, pursuant to the provisions of the Sweden-U.S. Double Tax Treaty, Swedish residents may claim a reduced rate of U.S. withholding tax on such dividends. You must complete U.S. IRS W-8BEN tax form in order to claim the treaty benefit. You also may be entitled to a tax credit in Sweden for the U.S. federal tax withheld at source.

*The taxation of dividends is complicated; in the event a dividend is paid on the shares, please consult with your personal tax advisor to determine your individual tax consequences.*

### **Sale of Shares**

When you subsequently sell your shares, you will be subject to tax at a flat rate on any gain you may realize. The taxable amount will equal the difference between the sale proceeds and your tax basis in the shares (generally, the fair market value of the shares on the date of acquisition). Alternatively, because the Company shares are traded on an exchange (*i.e.*, the Nasdaq), you may elect to be taxed on 80% of the sale proceeds.

Please note that the tax basis is computed as the average tax basis for all shares of the same type held at the time of sale.

If your sale proceeds are lower than your cost basis in the shares sold, you will realize a capital loss. In general, capital losses on shares are deductible against certain types of capital gains realized during the same tax year only and may not be carried forward to future tax years. A tax reduction may be allowed to the extent that the capital loss cannot be offset against capital gains in the same year.

You will be responsible for declaring any capital gains (or losses) you realize upon the sale of shares and paying applicable taxes due on such gains.

### **Withholding and Reporting**

Your employer will withhold income tax due on the discount at purchase through the Pay-As-You-Earn (“PAYE”) system. For income earned on or after January 1, 2019, your employer also will report the discount at purchase as taxable income to the Swedish Tax Agency on its monthly PAYE return (*arbetsgivardeklaration*).

General pension contributions will be collected through income tax withholding, to the extent the applicable contribution ceiling has not been exceeded.

## TAXATION IN THE UNITED KINGDOM

The following is a general summary description of the tax consequences of your participation in the ESPP.

This description is based on tax and other laws in effect in your country as of the date of this prospectus. It does not necessarily address all local tax laws that may apply to you. Such laws are often complex and can change frequently. As a result, the information contained in this summary may be out of date at the time you purchase shares of the Company's common stock under the ESPP, at the time you receive any dividends on shares you acquire under the ESPP or at the time you sell such shares.

In addition, this supplement is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Company is not in a position to assure you of any particular tax result. Accordingly, you should seek appropriate professional advice as to how the tax or other laws in the country(ies) in which you are subject to tax apply to your specific situation.

If you are not both resident and domiciled in the UK at all times, you are a citizen or resident of another country (or are considered as such for local law purposes) or if you transfer employment to another country after enrolling in the ESPP, the information contained in this supplement may not be applicable to you.

Note: The particular terms of any awards granted to you under the ESPP are set forth in the applicable plan and subscription agreement (the "Grant Documents"). If there is an inconsistency between the description below and your Grant Documents, the Grant Documents will take precedence. The ability to participate in the ESPP is neither a contract nor a guarantee of continued employment; employment is and always will be on the basis as provided for in your employment agreement. The ESPP is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

### **Enrollment in the ESPP**

You are not subject to tax or National Insurance contributions ("NICs") when an option is granted to you under the ESPP (i.e., when you enroll in the ESPP or are offered participation in the ESPP).

### **Purchase of Shares**

When shares are purchased, you will be subject to income tax at your marginal income tax rate on the difference (or discount) between the market value of the shares on the purchase date and the purchase price of the shares. You will also be subject to employee NICs on the discount.

### **Dividends**

If you acquire shares of the Company's common stock and if the Company declares a dividend on the shares, you will be subject to income tax in the U.K. on any dividend payments that you receive. (No NICs are due on dividends.) Any dividends paid will also be subject to U.S. federal income tax withheld at source. The Company does not assume any responsibility to withhold taxes at source. You must pay the U.K. income tax due on any dividends you receive directly to Her Majesty's Revenue & Customs ("HMRC") and report the dividend income through your annual U.K. Self-Assessment Tax Return.

Further, for U.S. tax purposes, any dividends paid will be subject to U.S. federal tax withheld at source at a rate of 30%. However, pursuant to the provisions of the U.K.-U.S. Double Tax Treaty, U.K. residents may claim a reduced rate of U.S. withholding tax on such dividends. You must complete U.S. IRS W-8BEN tax form in order to claim the treaty benefit. You also may be entitled to a tax credit in the U.K. for the U.S. federal tax withheld at source, which you may apply for through your annual U.K. Self-Assessment Tax Return.

*The taxation of dividends is complicated; in the event a dividend is paid on the shares, please consult with your personal tax advisor to determine your individual tax consequences.*

### **Sale of Shares**

When you subsequently sell or otherwise dispose of shares acquired under the ESPP, you will generally be subject to capital gains tax on any gain you realize to the extent that your total capital gains for the tax year exceeds the annual personal exempt amount (£11,700 for the 2018/2019 tax year). After your annual personal exempt amount has been exceeded, capital gains tax applies at a rate of 20% to the extent that your cumulative taxable income and capital gains exceed the upper limit of the income tax basic rate band (£34,500 for the 2018/2019 tax year).

If you acquire other shares of the Company, whether under the ESPP or outside of it, you will need to take into account the share identification rules in calculating your capital gains tax liability. These rules are complex and

you should consult your personal tax advisor to determine how the share identification rules apply in your particular situation. You will be personally responsible for reporting on your annual U.K. Self-Assessment Tax Return any taxable gains arising upon the sale or disposition of the shares and paying any applicable taxes directly to HMRC.

**Withholding and Reporting**

Your employer is required to withhold income tax and employee NICs due on the discount at purchase of the shares through the Pay As You Earn system and to report the discount as income received by you to HMRC. If the amount withheld by your employer is not sufficient to cover your actual income tax liability, you will be responsible for reimbursing the Company or your employer for the difference. The Company may refuse to deliver your shares until all such amounts have been repaid or recovered.

## **TAXES ON INCOME FROM THE SECURITIES WITHHELD AT SOURCE UNDER US FEDERAL TAX LAWS**

E\*TRADE requires all non-U.S. employees to certify their foreign status by completing a W8-BEN form at the time of account activation. The purpose of this form is to allow E\*TRADE to waive the U.S. Internal Revenue Service required 24% backup tax withholding on the gross proceeds of any sale transaction. It also can lower the percent withheld on any cash dividends received to the specific tax treaty rate between the non-U.S. employee's country and the U.S. The form expires every three years on December 31, and while renewal is not mandatory, a recertification would need to be made prior to the expiration date of the form to allow E\*TRADE to waive the required backup tax withholding and to obtain the benefits of any applicable tax treaty. Participants can also update their certification status with E\*TRADE if their foreign status changes at any time.

The Company does not have any responsibility for the withholding of taxes at source.

## RECENT DEVELOPMENTS AND OUTLOOK

### Recent Developments since December 31, 2018

On January 17, 2019, as part of its periodic review of the Company's governing documents, the Company's Board approved amendments to the Company's Amended and Restated Bylaws to change the deadline for stockholder notice of business to be brought before an annual meeting in certain circumstances and to permit the Board to require additional information and agreements from nominees to the Board. The Amended and Restated Bylaws of the Company reflecting those amendments became effective immediately upon approval by the Board.

On February 14, 2019, Gary Marino announced his intent to retire as our Executive Vice President, Chief Commercial Officer, effective as of April 5, 2019. As a result of Mr. Marino's announcement, the Company has determined that Mr. Marino will no longer be classified as one of our named executive officers as of February 20, 2019.

In February 2019 Mark Britto was named our Executive Vice President, Global Sales and Credit.

No other significant change in the Company's financial or trading position has occurred since December 31, 2018.

### Trend Information

In the period from December 31, 2018 through the date of this prospectus, PayPal believes that the payment landscape continues to evolve rapidly.

Rapid technological developments, particularly developments with respect to mobile payments; PayPal believes that to compete effectively, it will need to continue to expend significant resources in technology and marketing. PayPal expects that its development efforts will continue to support its innovation across mobile payments and digital commerce, and that PayPal's marketing efforts will continue to play an important role in building brand visibility, usage and overall preference among consumers at checkout.

The increasing use of mobile devices for ecommerce transactions and payments; the continuing transition of commerce from the physical world to the digital world. PayPal believes that the continued proliferation of mobile will drive the continued growth of mobile payments and help to expand PayPal's addressable market.

A heightened regulatory focus on all aspects of the payments industry. That focus continues to become even more heightened as regulators on a global basis focus on such important issues as countering terrorist financing, anti-money laundering, privacy and consumer protection. PayPal expects to continue to be required to apply for various licenses, certifications and regulatory approvals in a number of the countries in which we provide our services.

Some of the laws and regulations to which we are subject were enacted recently, and the laws and regulations applicable to us, including those enacted prior to the advent of digital and mobile payments, are continuing to evolve through legislative and regulatory action and judicial interpretation. Non-compliance with laws and regulations, increased penalties and enforcement actions related to non-compliance, changes in laws and regulations or their interpretation, and the enactment of new laws and regulations applicable to us could have a material adverse impact on our business, results of operations and financial condition. Therefore, we monitor these areas closely to ensure compliant solutions for our customers who depend on us.

Information security risks for global payments and technology companies have significantly increased in recent years. Although we are not aware of any material impacts relating to cyberattacks or other information security breaches on our Payments Platform, we are not immune to these risks and there can be no assurance that we will not suffer such losses in the future.