



**PayPal Holdings, Inc.**

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

**Prospectus for the public offer**

**of 5,379,896 shares of PayPal Holdings, Inc. common stock  
each with a par value of \$0.0001  
under the**

**PayPal Holdings, Inc.**

**Employee Stock Purchase Plan**

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

**March 23, 2018**

**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 etwaige 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. Unsere Vision ist die Demokratisierung der Finanzdienstleistungen, da wir der Auffassung sind, dass die Verwaltung und Überweisung von Geldern ein Recht ist, das allen Menschen und nicht nur den Wohlhabenden, zusteht. Unser Ziel ist es, unsere Bedeutung für Verbraucher und Händler bei der Verwaltung und Überweisung von Geldern in alle Welt, zu jeder Zeit sowie auf jeder Plattform und über jedes Endgerät zu steigern. Wir bieten unsere kombinierten Bezahlösungen, einschließlich unserer Produkte PayPal, PayPal Credit, Braintree, Venmo, Xoom and Paydiant über unsere unternehmenseigene Zahlungsplattform an.</p> <p>Wir betreiben eine zweiseitige unternehmenseigene globale Technologieplattform, die unsere Kunden, d. h. sowohl Händler als auch Verbraucher, in aller Welt miteinander vernetzt und die Verarbeitung von Zahlungstransaktionen vereinfacht; wir verbinden so weltweit Millionen von Händlern und Verbrauchern. Wir bieten unseren Kunden die Flexibilität, ihr Konto sowohl für den Kauf von Waren als auch für den Erhalt von Zahlungen für Waren und Dienstleistungen, aber auch 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 über Gebühren, die wir für Transaktionsverarbeitungsleistungen und andere zahlungswirksame Dienstleistungen, die über unsere Zahlungsplattform abgewickelt werden, erheben; diese Gebühren bemessen sich hauptsächlich nach dem Volumen der über die 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 Dienste mit Zusatznutzen für Verbraucher und Händler, wie etwa unsere PayPal Credit- und Gateway-Services. 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>Zum Datum dieses Prospekts geht PayPal davon aus, dass der Zahlungsverkehr sich weiter rasant entwickelt und die Branche u. a. von den folgenden zentralen Trends bestimmt wird:</p> <ul style="list-style-type: none"> <li>• Weltweiter erheblicher und zunehmend angespannter Wettbewerb, angetrieben durch sich rasch verändernde und verstörende technologische Weiterentwicklungen;</li> <li>• die zunehmende Nutzung digitaler Zahlungsmöglichkeiten;</li> <li>• zunehmende Nutzung mobiler Endgeräte für Transaktionen und Zahlungen im elektronischen Handel;</li> </ul>

		<ul style="list-style-type: none"> <li>• eine verstärkte regulatorische Fokussierung auf alle Aspekte der Zahlungsverkehrsbranche; und</li> <li>• Ein zunehmender Fokus auf Datenschutz, Privatsphäre und Informationssicherheitsrisiken, sowie Cybersicherheitsrisiken 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 Daten der Konzern-Gewinn- und Verlustrechnung für 2017, 2016 und 2015 und die Daten der Konzernbilanz zum 31. Dezember 2017 und 2016 unseren geprüften Konzernabschlüssen und den Anhangangaben entnommen, wie diese in unserem Geschäftsbericht (<i>Annual Report</i>) auf Formblatt 10-K („10-K“) für das am 31. Januar 2017 beendete Geschäftsjahr veröffentlicht wurden. Wir haben die Daten der Konzernbilanz zum 31. Dezember 2015 aus unseren geprüften Konzernabschlüssen entnommen, wie diese im 10-K für das am 31. Dezember 2016 beendete Geschäftsjahr veröffentlicht wurden.</p> <p>Am 17. Juli 2015 wurde Paypal durch anteilmäßige Ausschüttung von eBay Inc. ("eBay") von 100 % der in Umlauf befindlichen Stammaktien von PayPal an die Aktionäre von eBay (nachstehend als "Trennung" bezeichnet) eine unabhängige börsennotierte Gesellschaft. Vor der Trennung übertrug eBay im Wesentlichen sämtliche Vermögensgegenstände und Verbindlichkeiten sowie den Geschäftsbetrieb von eBays Zahlungsgeschäfts auf PayPal, was im Juni 2015 abgeschlossen wurde (die "Kapitalisierung"). In den Konzernabschlüssen zum 31. Dezember 2015 und für das zu diesem Zeitpunkt endende Geschäftsjahr wurden Finanzinformationen zu diesen Daten und für Zeiträume vor der Kapitalisierung aus den konsolidierten Jahresabschlüssen und Buchhaltungsunterlagen von eBay entnommen. Diese Konzernabschlüsse geben unsere Finanzlage und unsere Gewinn- und Verlustrechnung wieder, so wie unser Geschäft vor der Kapitalisierung als Teil von eBay betrieben wurde. Nach der Kapitalisierung enthalten die Jahresabschlüsse die Rechnungslegung der Gesellschaft und ihrer 100 %igen Tochtergesellschaften.</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 22. März 2018 lag der Wechselkurs zwischen US-Dollar und Euro bei \$1,00 = EUR 0,812. 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>2017</b></th> <th><b>2016</b></th> <th><b>2015</b></th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="3">(in Millionen USD, außer Angaben zu Aktien)</td> </tr> <tr> <td>Nettoumsatzerlöse.....</td> <td>13.094</td> <td>10.842</td> <td>9.248</td> </tr> <tr> <td>Betriebsergebnis .....</td> <td>2.127</td> <td>1.586</td> <td>1.461</td> </tr> <tr> <td>Nettogewinn.....</td> <td>1.795</td> <td>1.401</td> <td>1.228</td> </tr> </tbody> </table>		<b>Geschäftsjahresabschluss 31. Dezember</b>				<b>2017</b>	<b>2016</b>	<b>2015</b>		(in Millionen USD, außer Angaben zu Aktien)			Nettoumsatzerlöse.....	13.094	10.842	9.248	Betriebsergebnis .....	2.127	1.586	1.461	Nettogewinn.....	1.795	1.401	1.228
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		<p>Nettogewinn pro Aktie (USD):</p> <table> <tr> <td>Unverwässert .....</td> <td>1,49</td> <td>1,16</td> <td>1,00</td> </tr> <tr> <td>Verwässert .....</td> <td>1,47</td> <td>1,15</td> <td>1,00</td> </tr> </table> <p>Gewichtete durchschnittliche Aktienanzahl (Zahlen in Mio.)<sup>(1)</sup>:</p> <table> <tr> <td>Unverwässert .....</td> <td>1.203</td> <td>1.210</td> <td>1.222</td> </tr> <tr> <td>Verwässert .....</td> <td>1.221</td> <td>1.218</td> <td>1.229</td> </tr> </table> <p>(1) Am 17. Juli 2015, dem Datum der Ausschüttung, erhielten eBay-Aktionäre, die zum Geschäftsschluss am 8. Juli 2015 im Aktienregister eingetragen waren, für jede eBay-Stammaktie, die sie zum Stichtag hielten, eine PayPal-Stammaktie.</p> <p>Die gewichtete durchschnittliche Anzahl von Stammaktien, die für den unverwässerten und den verwässerten Nettogewinn pro Aktie für das am 31. Dezember 2015 beendete Jahr im Umlauf waren, basierte auf der Anzahl der im Zeitraum vor der Ausschüttung am 17. Juli 2015 ausgegebenen Stammaktien sowie auf der durchschnittlich gewichteten Anzahl an Stammaktien, die sich im Zeitraum nach dem Datum der Ausschüttung im Umlauf befinden.</p> <p><b>Daten zur Konzernbilanz:</b></p> <table> <thead> <tr> <th></th> <th>2017</th> <th>Zum 31. Dezember 2016</th> <th>2015</th> </tr> <tr> <th></th> <th></th> <th>(in Millionen USD)</th> <th></th> </tr> </thead> <tbody> <tr> <td>Gesamtvermögen .....</td> <td>40.774</td> <td>33.103</td> <td>28.881</td> </tr> <tr> <td>Langfristige Verbindlichkeiten, gesamt <sup>(1)</sup> ....</td> <td>1.917</td> <td>1.513</td> <td>1.505</td> </tr> </tbody> </table> <p>(1) Repräsentiert latente Steuerverbindlichkeiten und andere langfristige Verbindlichkeiten.</p> <p>Am 9. Februar 2018 nahmen wir im Rahmen unseres auf 364 Tage befristeten Kredits mit verzögerter Inanspruchnahme (der „Kredit“) weitere USD 1,5 Milliarden in Anspruch. Der im Rahmen des Kredits in Anspruch genommene Betrag unterliegt einem Zinssatz, der dem Dreimonats-LIBOR plus einer Marge von 1,125 % entspricht (2,92 % ab 9. Februar 2018).</p> <p>Ansonsten haben sich Finanzlage und Betriebsergebnisse seit dem 31. Dezember 2017 nicht wesentlich verändert.</p>	Unverwässert .....	1,49	1,16	1,00	Verwässert .....	1,47	1,15	1,00	Unverwässert .....	1.203	1.210	1.222	Verwässert .....	1.221	1.218	1.229		2017	Zum 31. Dezember 2016	2015			(in Millionen USD)		Gesamtvermögen .....	40.774	33.103	28.881	Langfristige Verbindlichkeiten, gesamt <sup>(1)</sup> ....	1.917	1.513	1.505
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<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.																																

#### Abschnitt C — Wertpapiere

<b>C.1</b>	<b>Beschreibung von Art und Gat-</b>	Bei den im Rahmen des Mitarbeiteraktienkaufplans der PayPal Inc. ( <i>PayPal Holdings, Inc. Employee Stock Purchase Plan</i> ) (der „ESPP“) angebotenen Aktien han-
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	<b>tung der angebotenen Wertpapiere, einschließlich der Wertpapierkennnummer</b>	<p>delt 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.</p> <p>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.</p>
<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>	Ausgegebene und im Umlauf befindliche Anzahl von Stammaktien: 1.200.160.405 Aktien zum 2. Februar 2018.
<b>C.4</b>	<b>Beschreibung der mit den Wertpapieren verbundenen Rechte</b>	<p>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.</p> <p><i>Dividendenrechte.</i> Die Gesellschaft hat sich dafür entschieden, in ihrer geänderten und aktualisierten Gründungsurkunde (<i>Amended and Restated Certificate of Incorporation</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><i>Stimmrechte.</i> 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><i>Recht auf Liquidationserlös.</i> 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><i>Keine Bezugs-, Einziehungs- oder Wandlungsrechte.</i></p>
<b>C.5</b>	<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>
<b>C.6</b>	<b>Zulassung zum Handel an einem</b>	Entfällt. Die Stammaktien der Gesellschaft sind an dem NASDAQ Global Select Market („NASDAQ“) unter dem Kürzel „PYPL“ zum Handel zugelassen. Die Ak-



	<b>geregelten Markt</b>	tien werden an der NASDAQ in US-Dollar gehandelt. Die Aktien werden nicht zum Handel an einem geregelten Markt zugelassen.
<b>C.7</b>	<b>Dividendenpolitik</b>	Wir haben seit unserer Gründung keine Bardividenden für unsere Aktien ausgeschüttet. Wir planen auch in absehbarer Zukunft keine Ausschüttung von Bardividenden.

#### Abschnitt D — Risiken

Mitarbeiter sollten vor ihrer Anlageentscheidung die nachfolgend beschriebenen Risiken, die im Abschnitt *Risk Factors* (“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.

<b>D.1</b>	<b>Risiken für den Emittenten oder sein Branchenumfeld</b>	<p><b>Risikofaktoren, die sich auf unsere Geschäftstätigkeit, Ertragslage und Finanzlage auswirken können</b></p> <ul style="list-style-type: none"> <li>• Wesentlicher und weltweit stark wachsender Wettbewerb in der Branche der globalen Zahlungsmethoden könnten unsere Geschäftstätigkeit beeinträchtigen. Viele der Bereiche, in denen wir antreten, entwickeln sich aufgrund technologischer Veränderungen und Umwälzungen rasant, wodurch sich die Anforderungen der Nutzer verändern und regelmäßig neue Produkte und Dienstleistungen eingeführt werden. Der Wettbewerb könnte sich zudem dadurch verschärfen, dass sich Unternehmen, gegen die wir antreten, oder Händler zusammenschließen bzw. Kooperationen eingehen und in anderen Geschäftssegmenten tätige Gesellschaften in unser Segment expandieren und mit uns in Wettbewerb treten.</li> <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. Beispielsweise kann die Unsicherheit in Bezug auf globale und regionale wirtschaftliche Ereignisse und Bedingungen dazu führen, dass Verbraucher und Unternehmen ihre Ausgaben zurückstellen oder senken.</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>• Änderungen im Verhalten unserer Kunden bei der Finanzierung der PayPal-Transaktionen könnten unserer Geschäftstätigkeit schaden. Ein Anstieg des Anteils unseres Zahlungsvolumens, das über Zahlungskarten finanziert wird, oder der Gebühren im Zusammenhang mit unserer Finanzierungsstruktur oder andere Ereignisse oder Entwicklungen, die die Finanzierung von Transaktionen mit geringeren Finanzierungsoptionen erschweren oder verteuern, könnten erhebliche und nachteilige Auswirkungen auf unsere finanzielle Leistungsfähigkeit haben und unserem Geschäft beträchtlich schaden.</li> </ul>
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		<ul style="list-style-type: none"> <li>• Unser Geschäft ist Cyber-Angriffen sowie Verstößen gegen die Sicherheit und die Privatsphäre ausgesetzt.</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.</li> <li>• Alle Faktoren, die den grenzüberschreitenden Handel einschränken oder erschweren, können unsere Geschäftstätigkeit beeinträchtigen.</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 sowie umfassenden, komplexen, sich überschneidenden und sich häufig ändernden Regeln, Verordnungen und rechtlichen Auslegungen.</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.</li> <li>• Unsere Kreditprodukte setzen uns zusätzlichen Risiken aus, u. a. dem möglichen Ausfall unserer Modelle zur genauen Risikoeinschätzung der Bonität einzelner Verbraucher oder Händler oder dem Risiko, dass Kontoinhaber ihren Zahlungsverpflichtungen nicht nachkommen, was das Risiko einer möglichen Abschreibung birgt.</li> <li>• Unser Geschäft könnte durch politische Ereignisse, Krieg, Terrorismus, Gefährdungen der öffentlichen Gesundheit, Naturkatastrophen und sonstige Geschäftsunterbrechungen beeinträchtigt werden.</li> <li>• Änderungen an unseren Programmen zum Schutz von Käufern und Verkäufern können unsere Schadensquote erhöhen.</li> <li>• Unsere internationale Geschäftstätigkeit unterliegt einem erhöhten Risiko, das unsere Geschäftstätigkeit beeinträchtigen könnte. Diese Risiken gehören zu einer internationalen Geschäftstätigkeit, gleich ob diese vom Inland (d. h. innerhalb des/eines Landes) oder von verschiedenen Ländern aus erfolgt.</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 Vermögensgegenstände zur Absicherung unserer Kundengelder können unsere Geschäftstätigkeit beeinträchtigen.</li> <li>• Wir sind Adressat von behördlichen Maßnahmen und kartellrechtlichen Verfahren im Rahmen der Wettbewerbsgesetze.</li> </ul>
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		<ul style="list-style-type: none"> <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 Auseinandersetzungen 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. Es gibt keine Garantie dafür, dass wir in der Lage sind, die Risiken erfolgreich zu managen, die unsere Fähigkeit zur Zinszahlung und zur Rückzahlung der Kapitalsumme unserer Schaden beeinträchtigen könnten. Zudem kann jede Veränderung in der Einschätzung unseres Ausblicks oder unserer Bonitätsbewertung durch Ratingagenturen den Wert unserer Schuld- und Beteiligungstitel beeinträchtigen und die Zinszahlungen für laufende oder künftige Schulden ggf. erhöhen.</li> <li>• Wir sind in vielerlei Hinsicht von Dritten abhängig, was zusätzliche Risiken birgt, u. a. das Risiko, dass Dritte nicht in der Lage sind, Dienstleistungen uns oder unseren Kunden gegenüber zu erbringen, sie Vereinbarungen mit uns verletzen, die Fortsetzung oder Erneuerung solcher Vereinbarungen zu wirtschaftlich angemessenen Bedingungen oder insgesamt verweigern, Transaktionen nicht angemessen verarbeiten bzw. dies verweigern, Handlungen vornehmen, die die Funktionalität unserer Dienste herabsetzen, uns zusätzliche Kosten oder Anforderungen auferlegen oder mit uns im Wettbewerb stehende Dienste bevorzugt behandeln.</li> <li>• Unserer Entwicklungsplattformen, die Händlern und externen Entwicklern offen stehen, stellen für uns zusätzliche Risiken dar. Es gibt keine Garantie dafür, dass Händler oder externe Entwickler auf unseren offenen Plattformen Anwendungen und Dienste zeitnah oder überhaupt entwickeln und pflegen. Zudem unterliegt unser Geschäft zahlreichen regulatorischen Beschränkungen. Es besteht die Möglichkeit, dass Händler und externe Entwickler, die unsere Entwicklungsplattformen und Tools nutzen, solche regulatorischen Beschränkungen verletzen und wir für diese Verletzungen haftbar gemacht werden, was unserem Geschäft schaden könnte.</li> <li>• Unsere Lösungen für Einzelhandels-Verkaufsstellen setzen uns zusätzlichen Risiken aus, u. a. erhöhten Erwartungen seitens unserer konventionellen Einzelhändler, erheblichem Wettbewerb an den Einzelhandels-Verkaufsstellen, insbesondere durch etablierte Anbieter von Zahlungskarten, zunehmende Angriffe durch Betrüger, Belastungen durch Produkthaftungsansprüche insoweit, dass die Hardwaregeräte, die wir zur Nutzung in den Einzelhandels-Verkaufsstellen herstellen, nicht funktionieren oder den rechtlichen Vorgaben nicht entsprechen, was zu erheblicher Haftung führen könnte und Produktrückrufaktionen oder sonstige Maßnahmen erforderlich machen würde, Belastungen durch neue Gesetze, Regeln und Vorschriften, zunehmende Abhängigkeit von Dritten und einem im Vergleich zu unseren anderen Zahlungslösungen geringeren operativen Gewinn.</li> <li>• Unser Erfolg hängt in hohem Maß von wichtigen Mitarbeitern ab. Auf Grund</li> </ul>
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		<p>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 Geschäftstätigkeit beeinträchtigen.</p> <ul style="list-style-type: none"> <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 die 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 und wir könnten unter bestimmten Umständen verpflichtet sein, eBay von wesentlichen Steuern gemäß der steuerrechtlichen Vereinbarung (<i>tax matters agreement</i>) freizustellen.</li> <li>• Es bestehen wegen der Abspaltung gewisse Risiken im Hinblick auf bestimmte Vereinbarungen mit 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 unserer Stammaktie fällt.</li> </ul>

#### Abschnitt E — Das Angebot

<b>E.1</b>	<b>Nettoemissionserlöse und geschätzte Gesamtkosten der Emission</b>	<p>Am 22. März 2018 betrug der Schlusskurs der Stammaktie der Gesellschaft, der am NASDAQ quotiert wurde, USD 78,56. Am 31. Dezember 2017 hatte die Gesellschaft weltweit etwa 18.700 Mitarbeiter, davon etwa 8.100 außerhalb der Vereinigten Staaten. Unter der Annahme, dass jeder der teilnahmeberechtigten Mitarbeiter die maximale Anzahl von 318 Stammaktien, erwirbt und unter der Annahme, dass der Kaufpreis hierfür USD 66,78 pro Aktie beträgt, was 85 Prozent des angemessenen Marktwerts der Stammaktie zum 16. März 2018 entspricht, dann würde der Bruttoemissionserlös, der der Gesellschaft zufällt, auf der Basis von 5.946.600 verkauften Aktien ca. USD 397.090.161 betragen. Da jedoch nur 5.379.896 Aktien zum Kauf unter dem ESPP verfügbar sind, kann der Bruttoemissionserlös USD 359.269.454 nicht übersteigen 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 359.194.454 betragen.</p>
<b>E.2a</b>	<b>Gründe für das Angebot und Verwendung des Emissionserlöses</b>	<p>Zweck des ESPP ist es, Mitarbeitern der Gesellschaft und ihrer Tochtergesellschaften über Gehaltseinbehalte die Möglichkeit zum Kauf von Aktien der Gesellschaft zu geben.</p> <p>Wir können den Erlös aus dem Verkauf von Aktien für alle Geschäftszwecke nut-</p>

		<p>zen. 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></p> <p>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></p> <p>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, 5.379.896 Aktien.</p> <p><b>Angebotszeiträume</b></p> <p>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 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 Teilnahmeberechtigung, 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> <p><b>Gehaltseinbehalte</b></p> <p>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</p>

	<p>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.</p> <p><b>Teilnahmeberechtigung</b></p> <p>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 Aktiegattungen 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).</p> <p><b>Benannter Broker</b></p> <p>E*TRADE Financial Corporation („E*TRADE“).</p> <p><b>Kaufpreis</b></p> <p>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.</p> <p>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 <i>Wall Street Journal</i> veröffentlicht wird.</p> <p><b>Lieferung</b></p> <p>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.</p> <p><b>Beschränkungen</b></p> <p>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.</p> <p>Die im Rahmen der Ausübung einer Option erworbenen Aktien unterliegen keinen Verfügungsbeschränkungen.</p> <p><b>Verwaltung des ESPP</b></p> <p>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 weiteren haben wir Computershare Shareowner Services als Depotstelle und E*TRADE als</p>
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		<p>Finanzmakler des ESPP zum Zwecke dieses Angebots benannt.</p> <p><b>Einstellung des ESPP</b></p> <p>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><i>Provision</i></p> <p>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 19,95.</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 0,0000218 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 2017 betrug etwa USD 15.994.000.000. Dies entspricht ungefähr USD 13,33 pro Aktie (errechnet auf Basis von 1.200.160.405 im Umlauf befindlichen Aktien am 2. Februar 2018).</p> <p>Wenn die Gesellschaft einen Nettoemissionserlös in Höhe von USD 359.194.454 zum Datum dieses Prospekts erhalten hätte, hätte der Buchwert des Eigenkapitals zu diesem Zeitpunkt ungefähr USD 16.353.194.454, oder USD 13,57 pro Aktie betragen (auf Basis der erhöhten Anzahl von 1.205.540.301 ausgegebenen Aktien nach dem Kauf von 5.379.896 Aktien und eines angenommenen Kaufpreises von USD 66,78, was 85 Prozent des Marktpreises der Aktien von USD 78,56 entsprechend dem Schlusskurs am 22. März 2018 entspricht). Auf Basis der oben beschriebenen Annahmen würde die Durchführung des Angebots daher zu einer unmittelbaren Erhöhung des Buchwertes des Eigenkapitals um USD 359.194.454 führen und den bestehenden Aktionäre kommt eine Erhöhung des Buchwertes ihrer Aktien von USD 0,24 pro Aktie oder etwa 1,80% zugute. Teilnahmeberechtigte Mitarbeiter, die Aktien kaufen, und folglich Investoren, die Aktien zum Kaufpreis von USD 66,78 erwerben, unterliegen einer Verwässerung von USD 53,21 pro Aktie oder etwa 79,68%.</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</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. Our vision is to democratize financial services, as we believe that managing and moving money is a right for all people, not just the affluent. Our goal is to increase



	<p><b>activities and identification of the principal markets in which the Issuer competes.</b></p>	<p>our relevance for 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 Paydiant products, compose our proprietary Payments Platform.</p> <p>We operate a two-sided proprietary global technology platform that links our customers, which consist of both merchants and consumers, around the globe to facilitate the processing of payment transactions, allowing us to connect millions of merchants and consumers worldwide. We offer our customers the flexibility to use their account to both purchase and receive payment for goods and services, as well as to transfer and withdraw funds. We enable consumers to more safely exchange funds 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 generate revenues by charging fees for providing transaction processing and other payment-related services based primarily on the volume of activity processed through our Payments Platform. We generally 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 value added services to consumers and merchants, such as our PayPal Credit and gateway services. 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 enable merchants to accept payments online with credit or debit cards.</p>
<p><b>B.4a</b></p>	<p><b>Most significant recent trends affecting the Issuer and its industry</b></p>	<p>As of the date of this prospectus, PayPal believes that the payment landscape is continuing to evolve rapidly, and that key industry trends include:</p> <ul style="list-style-type: none"> <li>• Substantial and increasingly intense competition worldwide, driven by rapidly changing and disruptive technological developments;</li> <li>• the increasing adoption of digital payments;</li> <li>• the increasing use of mobile devices for ecommerce transactions and payments;</li> <li>• a heightened regulatory focus on all aspects of the payments industry; and</li> <li>• increasing focus on data protection, privacy and information security/cybersecurity risks for global payments and technology companies.</li> </ul>
<p><b>B.5</b></p>	<p><b>Description of the Group and Issuer’s position within the Group</b></p>	<p>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.</p>
<p><b>B.6</b></p>	<p><b>Interests in the Issuer’s capital</b></p>	<p>Not applicable, because information regarding the Company’s capital structure is not required to be provided elsewhere in the prospectus.</p>
<p><b>B.7</b></p>	<p><b>Financial information regarding the Issuer and subsequent material changes</b></p>	<p>We derived the following consolidated statement of operations data for 2017, 2016 and 2015 and the consolidated balance sheet data as of December 31, 2017 and 2016 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, 2017. We derived the consolidated balance sheet data as of December 31, 2015 from our audited consolidated financial statements as</p>

published in our 10-K for the year ended December 31, 2016.

On July 17, 2015, PayPal became an independent publicly-traded company through the pro rata distribution by eBay Inc. ("eBay") of 100% of the outstanding common stock of PayPal to eBay stockholders (which we refer to as the "separation"). Prior to the separation, eBay transferred substantially all of the assets and liabilities and operations of eBay's payments business to PayPal, which was completed in June 2015 (the "capitalization"). In the consolidated financial statements as of December 31, 2015 and for the year then ended, financial information as at dates and for periods prior to the capitalization has been prepared and audited retroactively on a stand-alone basis and was derived from eBay's consolidated financial statements and accounting records. These consolidated financial statements reflect our financial position and results of operations as our business was operated as part of eBay prior to the capitalization. Following the capitalization, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

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

As at March 22, 2018, the exchange rate between the U.S. dollar and the euro, expressed as euros per dollar, was \$1.00 = €0.812. 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>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	(in millions \$, except share data)		
Net revenue.....	13,094	10,842	9,248
Operating income .....	2,127	1,586	1,461
Net income.....	1,795	1,401	1,228
Net income per share (in \$):			
Basic .....	1.49	1.16	1.00
Diluted.....	1.47	1.15	1.00
Weighted average shares (Number in millions) <sup>(1)</sup> :			
Basic .....	1,203	1,210	1,222
Diluted.....	1,221	1,218	1,229

(1) On July 17, 2015, the distribution date, eBay stockholders of record as of the close of business on July 8, 2015 received one share of PayPal common stock for every share of eBay common stock held as of the record date. The weighted average number of common shares outstanding for basic and diluted earnings per share for the year ended December 31, 2015 was based on the number of common shares distributed on July 17, 2015 for the period prior to distribution and the weighted average number of common shares outstanding for the period beginning after the distribution date.

**Consolidated Balance Sheet Data:**

	<b>As of December 31</b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	(in millions \$)		
Total assets .....	40,774	33,103	28,881
Total long-term liabilities <sup>(1)</sup> .....	1,917	1,513	1,505

(1) Represents deferred tax liability and other long-term liabilities.

On February 9, 2018, we drew down an additional \$1.5 billion under our 364-day delayed-draw term loan credit facility (the "Facility"). The borrowing under the Facility bears interest at a rate equal to 3-month LIBOR plus a margin of 1.125% (2.92% as of February 9, 2018).

There has otherwise been no significant change to our financial condition and

		operating results since December 31, 2017.
<b>B.8</b>	<b>Pro forma financial information</b>	Not applicable, because no historical financial information is required to be provided in the prospectus.
<b>B.9</b>	<b>Profit forecast</b>	Not applicable. This prospectus does not contain any profit forecast.
<b>B.10</b>	<b>Qualifications in the audit report on the historical financial information</b>	Not applicable. There are no such qualifications in the auditors' report.
<b>B.11</b>	<b>Working capital statement</b>	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.

### Section C — Securities

<b>C.1</b>	<b>Type and class of the securities being offered, including the Security Identification Code</b>	<p>The shares offered under the PayPal Holdings, Inc. 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>
<b>C.2</b>	<b>Currency of the securities issue</b>	The U.S. dollar is the currency of the securities issue.
<b>C.3</b>	<b>Number of shares issued</b>	Common stock issued and outstanding: 1,200,160,405 shares as of February 2, 2018.
<b>C.4</b>	<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><i>Dividend Rights.</i> 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><i>Voting Rights.</i> 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><i>Rights to Receive Liquidation Distributions.</i> Upon a liquidation, dissolution or winding-up of the Company, the assets legally available for distribution to</p>

		<p>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><i>No Preemptive, Redemptive or Conversions Provisions.</i> The shares are not entitled to preemptive rights and are not subject to conversion or redemption.</p>
<b>C.5</b>	<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>
<b>C.6</b>	<b>Admission to trading on a Regulated Market</b>	<p>Not applicable. The Company's common stock is listed on the NASDAQ Global Select 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.</p>
<b>C.7</b>	<b>Dividend policy</b>	<p>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.</p>

#### 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.

<b>D.1</b>	<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>• Substantial and increasingly intense competition worldwide in the global payments industry may harm our business. 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 against which we compete or merchants enter into business combinations and alliances, and established companies in other segments expand to become competitive with our business.</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. For example, uncertainty about global and regional economic events and conditions may result in consumers and businesses postponing or lowering spending.</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,</li> </ul>
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		<p>consequently, our revenues could decline.</p> <ul style="list-style-type: none"> <li>• Changes in how consumers fund their PayPal transactions could harm our business. 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.</li> <li>• Our business is subject to cyberattacks and security and privacy breaches.</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.</li> <li>• Any factors that reduce cross-border trade or make such trade more difficult 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, as well as extensive, complex, overlapping and frequently changing rules, regulations and legal interpretations.</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.</li> <li>• Our credit products expose us to additional risk, including potential failure of our risk models to accurately predict the creditworthiness of a consumer or merchant, or the risk that account holders will default on their payment obligations, creating the risk of potential charge-offs.</li> <li>• Our business may be impacted by political events, war, terrorism, public health issues, natural disasters and other business interruptions.</li> <li>• Changes to our buyer and seller protection programs could increase our loss rate.</li> <li>• Our international operations are subject to increased risks, which could harm our business. These risks are inherent in doing business internationally on both a domestic (i.e., in-country) and cross-border basis.</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</li> </ul>
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		<p>property rights.</p> <ul style="list-style-type: none"> <li>• We are regularly subject to general litigation, regulatory disputes, 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. There can be no assurance that we will be able to manage successfully the risks that could affect our ability to pay interest and repay the principal for our indebtedness. 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 the interest amounts we pay on outstanding or future debt.</li> <li>• We rely on third parties in many aspects of our business, which creates additional risk, including the possibility that third parties will be unable to provide services to us or our customers; may breach their agreements with us; refuse to continue or renew these agreements on commercially reasonable terms or at all; fail or refuse to process transactions adequately; take actions that degrade the functionality of our services; impose additional costs or requirements on us; or give preferential treatment to competitive services.</li> <li>• Our developer platforms, which are open to merchants and third-party developers, subject us to additional risks. There can be no assurance that merchants or third-party developers will develop and maintain applications and services on our open platforms on a timely basis or at all. In addition, our business is subject to many regulatory restrictions. It is possible that merchants and third-party developers who utilize our development platforms or tools could violate these regulatory restrictions and we may be held responsible for such violations, which could harm our business.</li> <li>• Our retail point of sale solutions expose us to additional risks, including increased expectations from offline retailers; significant competition at the retail point of sale, particularly from established payment card providers; increased targeting by fraudsters; 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; and lower operating income than our other payment solutions.</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 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 the 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 and, in certain circumstances, we could be required to indemnify eBay</li> </ul>
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		<p>for material taxes pursuant to indemnification obligations under the tax matters agreement.</p> <ul style="list-style-type: none"> <li>• There are risks associated with certain agreements that we entered into with eBay at the separation.</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

<b>E.1</b>	<b>Net proceeds and estimate of total expenses</b>	<p>On March 22, 2018, the closing price of a share of the Company’s common stock as quoted on NASDAQ was \$78.56. As of December 31, 2017, the Company had approximately 18,700 people globally, of whom approximately 8,100 were located outside the United States. Assuming that each eligible employee purchase the maximum number of 318 shares of common stock and assuming a purchase price of \$66.78, which is 85% of the common stock’s fair market value as of March 16, 2018, then the gross proceeds to the Company would be approximately \$397,090,161 on the basis of 5,946,600 purchased shares. However, since only 5,379,896 shares are left for purchase available under the ESPP, the gross proceeds cannot be higher than \$359,269,454. 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 \$359,194,454.</p>
<b>E.2a</b>	<b>Reasons for the offer and use of proceeds</b>	<p>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.</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>
<b>E.3</b>	<b>Description of the terms and conditions of the offer</b>	<p><b>Summary of the Offering</b></p> <p>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></p> <p>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 5,379,896 shares. <b>Offering Periods</b></p> <p>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</p>

	<p>are accumulated under the ESPP. In Germany, Ireland 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><i>Payroll Deduction</i></b></p> <p>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><i>Eligibility to Participate</i></b></p> <p>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><i>Designated Broker</i></b></p> <p>E*TRADE Financial Corporation ("E*TRADE").</p> <p><b><i>Purchase Price</i></b></p> <p>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><i>Delivery</i></b></p> <p>As promptly as practicable after the end of each offering period, we will deliver</p>
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		<p>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></p> <p>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></p> <p>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></p> <p>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></p> <p>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 \$19.95 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 \$0.0000231 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>	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 \$15,994,000,000 as of December 31, 2017. This is equivalent to approximately \$13.33 per share (calculated on the basis of 1,200,160,405

		<p>outstanding shares as of February 2, 2018.</p> <p>If the Company had obtained net proceeds in the amount of \$359,194,454 as of the date of this prospectus, the book value of the shareholders' equity at that time would have been about \$16,353,194,454, or \$13.57 per share (based on the increased number of 1,205,540,301 shares after the purchase of 5,379,896 shares assuming a purchase price of \$66.78, which is 85% of the common stock's fair market value of \$78.56, representing the closing price as of March 22, 2018. 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 \$359,194,454 and existing stockholders will enjoy an increase of the book value of their shares of \$0.24 per share, or approximately 1.80%. Eligible employees who purchased the shares and, thus, investors who acquire shares at the purchase price of \$66.78 will be diluted by \$53.21 per share, or by approximately 79.68%.</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 first section, captioned “Risk Factors That May Affect Our Business, Results of Operations and Financial Condition”, discusses some of the risks that may adversely affect our business, results of operations and financial condition. The second section, captioned “Risks Related to the Separation and Our Operation as an Independent Publicly Traded Company,” discusses some of the risks relating to our separation 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 “Forward-Looking Statements”.*

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

***Substantial and increasingly intense competition worldwide in the global payments industry may harm our business.***

The global payments industry is highly competitive, and we compete against a wide range of businesses, some of which are larger than we are, have a dominant and secure position, or offer other products and services to consumers and merchants that we do not offer. The global payments industry is rapidly changing, highly innovative and increasingly subject to regulatory scrutiny. 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 against which we compete or merchants enter into business combinations and alliances, and established companies in other segments expand to become competitive with our business.

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;
- 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 targeted at online payments;
- other global online and mobile payment-services providers;
- other providers of online and mobile account-based payments;
- services targeting users of social networks and online gaming, including those offering social commerce and peer-to-peer payments;
- mobile payment services between bank accounts;
- 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 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.

We compete primarily on the basis of the following:

- ability to attract, retain and engage both merchants and consumers;
- ability to demonstrate that merchants will achieve incremental sales by offering PayPal services;
- consumer confidence in safety and security of transactions on our Payments Platform, including the ability for consumers to use PayPal products and services without sharing their financial information with the merchant or the party they are paying;
- simplicity of our fee structure;
- ability to develop services across multiple commerce channels, including mobile payments and payments at the retail point of sale;
- trust in our dispute resolution and buyer and seller protection programs;
- customer service;
- brand recognition;
- 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;
- 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.

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 against our competitors.

Our failure to compete effectively against any of the foregoing competitive threats could materially and adversely harm our business.

***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 the level or source of our revenues or earnings accurately. 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 tighter credit, higher unemployment, financial market volatility, fluctuations in foreign currency exchange rates and interest rates, government austerity programs, negative financial news, declines in income or asset values, and other factors. These and other global and regional economic events and conditions 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.

***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, mobile, social commerce (i.e., ecommerce through social networks), authentication, virtual currencies (including distributed ledger technologies), and NFC and other proximity payment devices, such as contactless payments. 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 technologies. 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.

***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 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 and results of operations.

***Our business is subject to cyberattacks and security and privacy breaches.***

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 card 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 and businesses, other large technology companies, financial institutions, and government institutions, have disclosed breaches of their information security systems, some of which have involved sophisticated and highly targeted attacks, including on their websites 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, may be difficult to detect quickly, and often are not recognized until launched against a target. Unauthorized parties may 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 (often 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. 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, these security measures cannot 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. Our security measures may also be breached due to human error, malfeasance, system errors or vulnerabilities, or other irregularities. Actual or perceived breaches of our security could 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 customers, 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. Additionally, 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, computer denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. Our systems also may be subject 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 “Our business is subject to cyberattacks and security and privacy breaches.”

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, or fail to perform their obligations and meet our expectations, 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 the services. From time to time, payment card networks have increased, and may increase in the future, the interchange fees and assessments that they charge for each transaction that accesses their networks. Payment card networks have or may impose 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. Any changes in interchange fees and assessments could increase our operating costs and reduce our operating income. We have entered into strategic partnerships with Visa and Mastercard to further

expand our relationships in a way that will make it easier for merchants to accept and consumers to choose to pay with Visa and Mastercard 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 by our processors 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. The payment card networks set and interpret the card operating rules. From time to time, the networks have alleged 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.***

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 reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, 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.***

We have significant operations internationally that are denominated in foreign currencies, including the British Pound, Euro, Australian Dollar and Canadian Dollar, subjecting 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. Fluctuations in foreign exchange rates could materially and adversely impact our financial results.

***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 would lower our revenues and profits and could harm our business.

***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 EU ("Brexit"). In March 2017, the U.K. invoked Article 50 of the Treaty on European Union, which triggered a two-year period, with extension subject to unanimous consent by the other EU member states, during which the U.K. government will negotiate its withdrawal agreement with the EU. 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 our customers and companies with which we do business, particularly in the U.K. In addition, Brexit could lead to legal uncertainty and see national laws and regulations in the U.K. diverge from EU laws and regulations, as the U.K. determines which EU laws to replace or replicate. In particular, depending on the terms of Brexit, we may face new regulatory costs and challenges, including the following:

- we could lose our ability for our EU operations to offer services on a cross-border basis into the U.K. market utilizing regulatory permissions of PayPal (Europe) S.à r.l. et Cie, SCA ("PayPal (Europe)"), our wholly-owned subsidiary that is licensed and subject to regulation as a credit institution in Luxembourg, and our corresponding ability to work with the Luxembourg regulators as the lead authority for various aspects of our U.K. operations;
- 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; 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.

Any of the effects of Brexit described above and others that we cannot anticipate could adversely affect our business, results of operations, financial condition and cash flows.

***Our business is subject to extensive government regulation and oversight, as well as extensive, complex, overlapping and frequently changing rules, regulations and legal interpretations.***

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, 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. The legal and regulatory requirements applicable to us are extensive, complex, frequently changing, and increasing in number, and may impose overlapping and/or conflicting requirements or obligations.

Financial and political events have increased the level of regulatory scrutiny on the payments industry, and regulatory agencies may view matters or interpret laws and regulations differently than they have in the past and in a manner adverse to our business.

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

As we expand and localize our international activities, we are increasingly becoming 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, 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 it is 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, Xoom and TIO branded products and services. 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 provide our services to customers in the EU through 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. The implementation of the 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 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.

Finally, if the business activities of PayPal (Europe) exceed certain thresholds, or if the European Central Bank ("ECB") determines that PayPal (Europe) is a significant supervised entity or that some activity of PayPal (Europe) is deemed subject to oversight by the ECB, PayPal (Europe) could become directly regulated by the ECB in addition to the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (the "CSSF"), as its national supervisor, which could subject us to additional requirements and would likely increase compliance costs.

In Australia, we serve our customers through PayPal Australia Pty. Ltd. ("PayPal Australia"), which is licensed by the Australian Securities and Investments Commission as a provider of a non-cash payment product and by the Australian Prudential Regulation Authority as a purchased payment facility provider, which is a type of authorized depository institution. Accordingly, PayPal Australia is subject to significant fines or other enforcement action if it violates the product disclosure, reporting, anti-money laundering, capital requirements, privacy, corporate governance or other requirements imposed on Australian depository institutions.

In Hong Kong, we serve our customers through PayPal Hong Kong Limited ("PayPal Hong Kong"), which is licensed by the Hong Kong Monetary Authority as an issuer of stored value facility ("SVF Licensee"). Accordingly, PayPal Hong Kong is subject to significant fines or other enforcement action if it violates the reporting, anti-money laundering, capital requirements, privacy, corporate governance, risk management, float management, and/or any other requirements imposed on SVF Licensees.

In many of the other markets 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.

We are also subject to regulation in other markets in which we do business, and we have been and expect to continue to be required to apply for various licenses, certifications and regulatory approvals in a number of the countries where we provide our services. There can be no assurance that we will be able to obtain any such licenses, certifications, and approvals. In addition, there are substantial costs and potential product changes involved in maintaining 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 and involve considerable delay to the development or provision of our products or services, or could 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 us from doing business in a country. 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*

The financial services sector is subject to significant regulation and 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, with an effective date of April 1, 2019. We are evaluating the final rule and its requirements. Implementation of the rule could require us to make substantial changes to our business practices and the design of certain products, allocate additional 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 regulation. 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. 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. Furthermore, compliance with economic and trade sanctions in force in one jurisdiction may conflict with the laws and regulations of other jurisdictions in which we operate and can expose us to the risk of fines, sanctions and penalties.

### *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. 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) are expected to make compliance more costly and operationally difficult to manage, lead to increased friction for customers, and result in a decrease in business. As of December 2017, PayPal (Europe)'s home state, Luxembourg, had not yet implemented all of the provisions of the Fourth Anti-Money Laundering Directive and there is uncertainty as to the exact requirements with which PayPal (Europe) will be required to comply. 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. EU institutions are also proposing changes to the Fourth Anti-Money Laundering Directive which could be even more stringent.

### *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. 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, use and sharing of 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. Privacy and data protection laws may be interpreted and applied inconsistently from country to country and impose inconsistent or conflicting requirements. Complying with varying jurisdictional requirements could increase the costs and complexity of compliance or require us to change our business practices in a manner adverse to our business, and violations of privacy and data protection-related laws may expose us to significant damage awards, fines and other penalties that could, individually or in the aggregate, materially harm our business and reputation. 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 a comprehensive overhaul of its data protection regime from the current national legislative approach to a single European Economic Area Privacy Regulation, the General Data Protection Regulation ("GDPR"), which comes into effect in May 2018. The proposed 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 and €20 million, and includes new rights such as the "portability" of personal data. Although the GDPR will apply across the EU without a need for local implementing legislation, local data protection authorities ("DPAs") will still have the ability to interpret the GDPR through so-called opening clauses, which permit

region-specific data protection legislation and have the potential to create inconsistencies on a country-by-country basis. We are evaluating the rule and its requirements. Implementation of the GDPR could require us to change our business practices and increase the costs and complexity of compliance.

PayPal also faces additional potential challenges from local 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 treble 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.

Data protection, privacy and information security have become the subject of increasing public, media, regulatory and legislative concern. We post on our websites and applications our privacy policies and practices regarding the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies, 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 governmental entities or others, including class action privacy litigation in certain jurisdictions, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. As noted above, we are also subject to the possibility of security and privacy breaches, which themselves may result in a violation of privacy laws.

***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.***

As PayPal is neither a chartered financial institution nor licensed to make loans in any state in the U.S., we rely on a third-party chartered financial institution to issue the PayPal Credit consumer product in the U.S., and different chartered financial institutions to issue the PayPal Working Capital product and other business loan products in the U.S. These chartered financial institutions are state chartered industrial banks. Any termination or interruption in a partner bank’s ability to lend could result in us being unable or unwilling to offer our consumer and business loan products, which could materially and adversely affect our ability to issue our loan products in the U.S. and 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, and obtaining a bank charter or lending licenses would be a costly, time-consuming and uncertain process, 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.

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 those that we rely on to issue our loan products in the U.S. 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 relies on a third party chartered financial institution in connection with the issuance of credit products. While we believe the manner in which we offer our credit products can be distinguished from *Madden*, there can be no assurance as to the outcome of any potential litigation, which could materially and adversely impact our ability to issue our loan products in the U.S. and our business.

On November 16, 2017, we announced an arrangement under which Synchrony Bank will acquire the U.S. consumer credit receivables portfolio held by us and certain of our affiliates, which totaled approximately \$6.4 billion in receivables as of December 31, 2017. The purchase price is subject to a post-closing true-up and certain adjustments. The transaction is expected to be completed during the third quarter of 2018, subject to certain closing conditions. The transaction may not close within the expected timeframe or at all. Even if the transaction is consummated, 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. Under our expanded program agreement with Synchrony Bank, at the closing of the consumer credit receivables portfolio sale, Synchrony Bank will become the exclusive issuer of the PayPal Credit online consumer financing program in the U.S. for a 10-year term, and we retain an option to designate a purchaser of the portfolio at the end of that term. Our increased reliance on Synchrony will subject 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 credit products expose us to additional risks.***

We offer our PayPal Credit consumer product and PayPal Working Capital and other 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 our PayPal Credit consumer product uses proprietary segmentation and credit algorithms and other analytical techniques designed to analyze the credit risk of specific consumers based on 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 loan products 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 below under the risk factor titled “Our international operations are subject to increased risks, which could harm our business.”

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

***Our business may be impacted by political events, war, terrorism, public health issues, natural disasters and other business interruptions.***

War, terrorism, geopolitical uncertainties, public health issues, natural disasters and other business interruptions have caused and could cause damage or disruption to the economy and commerce on a global or regional basis, which could have a material adverse effect on our business, our customers, and companies with which we do business. Our business operations are subject to interruption by, among others, natural disasters, fire, power shortages, earthquakes, floods, nuclear power plant accidents and other industrial accidents, terrorist attacks and other hostile acts, labor disputes, public health issues and other events beyond our control. 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. In the event of a natural disaster, we could incur significant losses, require substantial recovery time and experience 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 2015, we increased the scope of our buyer protection program to cover digital goods and intangible goods and services. 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. Upon PayPal becoming an independent publicly traded company in July 2015, we extended our protection programs in several countries to cover certain customers' purchases on eBay, and our costs associated with these programs have therefore increased. Increases in our loss rate, including as a result of changing our buyer and seller protection programs, could harm our business.

***Our international operations are subject 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:

- 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 (e.g., data localization requirements);
- 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 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 trafficking, prohibited sales of alcoholic beverages or tobacco products, online securities fraud, or to facilitate other illegal activity. Any use of our payment system for illegal or improper uses could subject us 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 country may be illegal in another country, 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 deposits in customer accounts and funds being remitted to sellers of goods and services. 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 our 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 jurisdictions also provide private rights of action for competitors or consumers to assert claims of anti-competitive 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. An increasing number of governments are regulating and increasing their scrutiny of competition law activities. 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 against us, or require us to change our business practices.

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

We have repeatedly been sued for allegedly infringing other parties' patents. At any given time, we are typically a defendant in a number of patent lawsuits and have been notified of several other potential patent disputes. 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;
- 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 customers 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 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 our business.

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

We are regularly subject to claims, individual and class action lawsuits, government and regulatory investigations, inquiries 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 have increased as our business has expanded in scale, scope and geographic reach, and our products and services have increased in complexity. In addition, the laws, rules and regulations affecting our business, including those pertaining to Internet and mobile commerce, 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, and proceedings to which we are subject cannot be predicted with certainty. Regardless of the outcome, such investigations and proceedings can have an adverse impact on us 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 such legal and regulatory proceedings 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. 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 makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for taxable years beginning after December 31, 2017. These changes could have a material adverse impact on the value of our U.S. deferred tax assets, result in significant one-time charges in the current or future taxable years 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 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. 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 tax authorities, and we are currently undergoing a number of investigations, audits and reviews by taxing 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 e-commerce 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.

***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 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;
- the need to and difficulty of integrating the operations, systems (including accounting, compliance, management, information, human resource and other administrative systems), technologies, 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;
- 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.

Joint ventures and minority investment inherently involve a lesser degree of control 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 them and who 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, generate sufficient cash flows to service such debt and the other factors discussed in this “Risk Factors” section. There can be no assurance that we will be able to manage any of these risks successfully. 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 the interest amounts we pay on outstanding or future debt. These risks 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 loans in the U.S. for our PayPal Credit consumer product, PayPal Working Capital and other 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 services to us and our customers and to facilitate certain of our business activities, we face increased operational risk. These third parties may be subject to financial, legal, regulatory, labor or other issues, such as service terminations, disruptions or interruptions, that prevent them from providing services to us or our customers. Moreover, these third parties are themselves subject to the risks discussed earlier in the "Risk Factors" section under the caption "Our business is subject to cyberattacks and security and privacy breaches." 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 adequately, take actions that degrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatment to competitive services. There can be no assurance that third parties who provide services directly to us or our customers will continue to do so on acceptable terms, or at all. If any third parties were to stop providing services to us or our customers on acceptable terms, we may be unable to procure alternatives from other third parties in a timely and efficient manner, and on acceptable terms or at all. If third parties we rely on do not adequately or appropriately provide their services or perform their responsibilities, 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 developer platforms, which are open to merchants and third-party developers, subject us to additional risks.***

We provide third-party developers with access to application programming interfaces, software development kits and other tools designed to allow them to produce applications for use, with a particular focus on mobile applications. There can be no assurance that merchants or third-party developers will develop and maintain applications and services on our open platforms on a timely basis or at all, and a number of factors could cause such third-party developers to curtail or stop development for our platforms. In addition, our business is subject to many regulatory restrictions. It is possible that merchants and third-party developers who utilize our development platforms or tools could violate these regulatory restrictions and we may be held responsible for such violations, 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 these companies' credit and debit cards. 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. 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 business.***

Our future performance depends substantially on 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 fluctuations in our stock price, 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. 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 our inability to attract highly qualified key personnel, could harm our business.

***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, 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 the 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***

***and, in certain circumstances, we could be required to indemnify eBay for material taxes pursuant to indemnification obligations under the tax matters agreement.***

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 certain agreements that we entered into with eBay at the separation.***

In connection with the separation, 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 determine 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. If we or eBay is unable to satisfy its 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. This operating agreement defines a number of important elements of our commercial relationship with eBay, as well as certain obligations and limitations 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. If our operating agreement with eBay expires or is terminated prior to its expiration, or if there is a significant change in our relationship with eBay, including if eBay becomes a merchant of record, eliminates or modifies any of its risk management or customer protection programs, directs transactions to a different provider of payment services or offers eBay customers alternative payment options, it could lead to customer dissatisfaction, reputational damage, and other adverse consequences, and our business, financial condition and results of operations could be materially harmed.

### **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 by securities analysts;
- changes in our capital structure;



- speculation, coverage or sentiment in the media or the investment community;
- the operating and stock price performance of comparable companies;
- 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.

***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 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.

These provisions are not intended to make us immune from takeovers. However, these provisions 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, 2018 - <https://www.sec.gov/Archives/edgar/data/1633917/000163391718000029/0001633917-18-000029-index.htm> (the “2017 Form 10-K”);
- 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”); and
- Form 10-K Annual Report filed on February 11, 2016 - <http://www.sec.gov/Archives/edgar/data/1633917/000163391716000113/pyp1201510-k.htm> (the “2015 Form 10-K”); and

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>.

## 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 Global Select 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 a convenient method for eligible employees of the Company, and for its subsidiaries or affiliates designated by the Compensation Committee of the Board (the "Committee") to participate in the ESPP, to acquire 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 and its subsidiaries or affiliates, and to provide an incentive for continued employment.

#### ***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.

Employees of a Participating Company who were participating in the eBay ESPP as of the date of the Spin Off continued to participate in the ESPP in accordance with their elections then in effect under the eBay ESPP.

### ***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 5,379,896 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 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.

#### ***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.paypal.com/de/webapps/mpp/ua/prospectusdisclaimer?locale.x=en\\_DE](https://www.paypal.com/de/webapps/mpp/ua/prospectusdisclaimer?locale.x=en_DE)

#### ***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.

### ***Impact of the Spin Off on the ESPP***

In connection with the Spin Off, PayPal and eBay entered into an employee matters agreement to allocate liabilities and responsibilities relating to certain benefits, compensation and employment matters, including the ESPP. The rights under the eBay ESPP for those participants who remain employed in the eBay group have generally remained unchanged; save that eBay has made necessary equitable adjustments under the eBay ESPP, including an equitable adjustment to the offering date price of each eBay ESPP option held immediately before the Spin Off and the maximum number of shares that may be purchased in any purchase period.

The ESPP, which was established in connection with the Spin Off, is substantially similar to the eBay ESPP as of the date of the Spin Off. Each ESPP option held under the eBay ESPP immediately prior to the Spin Off by participants employed by PayPal following the Spin Off has been assumed under the ESPP. An equitable adjustment has been made to the offering date price of each such eBay ESPP option held immediately before the Spin Off and the maximum number of shares that may be purchased in any purchase period, and contributions made during the applicable purchase period will be used to purchase shares of the Company's common stock.

### ***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 take 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 22, 2018, the closing price of a share of the Company's common stock as quoted on NASDAQ was \$78.56. As of December 31, 2017, the Company had approximately 18,700 people globally, of whom approximately 8,100 were located outside the United States. Assuming that each eligible employee purchase the maximum number of 318 shares of common stock and assuming a purchase price of \$66.78, which is 85% of the common stock's fair market value as of March 16, 2018, then the gross proceeds to the Company would be approximately \$397,090,161 on the basis of 5,946,600 purchased shares. However, since only 5.379.896 shares are left for purchase available under the ESPP, the gross proceeds cannot be higher than \$359,269,454. 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 \$359,194,454.

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 \$15,994,000,000 as of December 31, 2017. This is equivalent to approximately \$13.33 per share (calculated on the basis of 1,200,160,405 outstanding shares as of February 2, 2018).

If the Company had obtained net proceeds in the amount of \$359,194,454 as of the date of this prospectus, the book value of the shareholders' equity at that time would have been about \$16,353,194,454, or \$13.57 per share (based on the increased number of 1,205,540,301 shares after the purchase of 5,379,896 shares assuming a purchase price of \$66.78, which is 85% of the common stock's fair market value of \$78.56, representing the closing price as of March 22, 2018. 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 \$359,194,454 and existing stockholders will enjoy an increase of the book value of their shares of \$0.24 per share, or approximately 1.80%. Eligible employees who purchased the shares and, thus, investors who acquire shares at the purchase price of \$66.78 will be diluted by \$53.21 per share, or by approximately 79.68%.

## **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, 2017, our capitalization was as follows (in millions of dollars):

<b>Total current debt</b> .....	20,999
Guaranteed* .....	—
Secured* .....	—
Unguaranteed/unsecured* <sup>(1)</sup> .....	—
<b>Total non-current debt (excluding current portion of long-term debt)</b> .....	—
Guaranteed* .....	—
Secured* .....	—
Unguaranteed/unsecured* .....	—
<b>Shareholder's equity:</b>	
a. Share Capital <sup>(2)</sup> .....	12,313
b. Legal Reserve .....	—
c. Other reserves <sup>(3)</sup> .....	<u>3,681</u>
Total .....	<u>15,994</u>
<b>Total capitalization*</b> .....	<u>36,993</u>

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

(1) Consists of funds payable and amounts due to customers (\$19.7 billion), notes payable (1.0 Billion) and accounts payable (\$257 million).

(2) Consists of (i) common stock, \$0.0001 par value (\$0), and additional paid-in capital (\$14.3 billion), less (iii) treasury stock at cost (\$2.0 billion).

(3) Consists of (i) retained earnings (\$3.8 billion), less (ii) accumulated other comprehensive loss (\$142 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, 2017, 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> .....	2,883
C. Trading securities <sup>(2)</sup> .....	4,169
<b>D. Liquidity (A)+(B)+(C)*</b> .....	7,052
<b>E. Current financial receivable</b> * <sup>(3)</sup> .....	25,954
F. Current bank debt.....	—
G. Current portion of non-current debt .....	—
H. Other current financial debt <sup>(4)</sup> .....	20,742
<b>I. Current financial debt (F)+(G)+(H)*</b> .....	20,742
<b>J. Net current financial indebtedness (I)-(E)-(D)*</b> .....	(12,264)
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> .....	(12,264)

\* 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" (\$2.3 billion) and (ii) corporate debt securities and government and agency securities recorded in our consolidated financial statements under "Long-term investments" (\$1.7 billion).

(3) Consists of (i) loans and interest receivable, net of allowances of \$129 million (\$1.3 billion); (ii) loans and interest receivable, held for sale (\$6.4 billion); and (iii) funds receivable and customer accounts (\$18.2 billion).

(4) Consists of (i) funds payable and amounts due to customers (\$19.7 billion) and (ii) notes payable (\$1.0 billion).

## Commitments and Contingencies

### *Commitments*

As of December 31, 2017, approximately \$26.4 billion of unused credit was available to PayPal Credit account holders compared to \$28.8 billion of unused credit as of December 31, 2016. While this amount represents the total unused credit available, we have not experienced, and do not anticipate, that all of 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 by the chartered financial institution that is the issuer of PayPal Credit products based on, among other things, account usage and customer creditworthiness. When a consumer funds a purchase in the U.S. using a PayPal Credit product issued by a chartered financial institution, the chartered financial institution extends credit to the consumer, funds the extension of credit at the point of sale and advances funds to the merchant. We subsequently purchase the receivables related to the consumer loans extended by the chartered financial institution and, as a result of such purchase, bear the risk of loss in the event of loan defaults. Although the chartered financial institution continues to own each customer account, we own the related receivable (excluding participation interests sold) and are responsible for all servicing functions related to the account.

In the fourth quarter of 2017, we entered into a credit agreement ("2017 Credit Agreement") that provides for an unsecured \$3.0 billion, 364-day delayed-draw term loan credit facility, which is available in up to three borrowings. Borrowings and other amounts payable under the 2017 Credit Agreement are guaranteed by our PayPal, Inc. subsidiary. Subject to specified conditions, we may designate one or more of our subsidiaries as additional borrowers under the 2017 Credit Agreement provided that we and PayPal, Inc. guarantee all borrowings and other obligations of any such subsidiaries under the 2017 Credit Agreement. As of December 31, 2017, no subsidiaries were designated as additional borrowers. Funds borrowed under the 2017 Credit Agreement may be used for capital allocation and other general corporate purposes of us and our subsidiaries.

Loans under the 2017 Credit Agreement will bear interest at either (i) the London Interbank Offered Rate ("LIBOR") plus a margin (based on our public debt ratings) ranging from 1.00 percent to 1.25 percent or (ii) a formula based on the agent bank's prime rate, the NYFRB rate (the greater of the federal funds effective rate and the overnight bank funding rate) or LIBOR plus a margin (based on our public debt ratings) ranging from zero percent to 0.25 percent. The 2017 Credit Agreement will terminate and all amounts owing thereunder will be due and payable in December 2018, unless the commitments are terminated earlier, either at our request or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related events). Subject to certain exceptions, if we were to issue debt securities or enter into a credit facility, a corresponding portion of the aggregate commitments and outstanding loans under the 2017 Credit Agreement will be terminated and be required to be paid, as applicable. The 2017 Credit Agreement contains customary representations, warranties, affirmative and negative covenants, including financial covenants, events of default and indemnification provisions in favor of the lenders. The negative covenants include restrictions regarding the incurrence of liens, subject to certain exceptions. The financial covenants require us to meet a quarterly financial test with respect to a minimum consolidated interest coverage ratio and a maximum consolidated leverage ratio, based on our public debt ratings.

As of December 31, 2017, \$1.0 billion was outstanding under the 2017 Credit Agreement at an interest rate of 2.78% (one month LIBOR plus a margin of 1.125%). Accordingly, at December 31, 2017, \$2.0 billion of borrowing capacity was available for the purposes permitted by the 2017 Credit Agreement, subject to customary conditions to borrowing.

The company maintains uncommitted credit facilities in various regions throughout the world, aggregating to approximately \$250 million. Interest rate terms for these facilities vary by region and reflect prevailing market rates for companies with strong credit ratings. As of December 31, 2017, no amounts were outstanding under these facilities, and therefore, approximately \$250 million of borrowing capacity was available, subject to customary conditions to borrowing.

In the third quarter of 2015, we entered into a credit agreement ("2015 Credit Agreement" and collectively with the 2017 Credit Agreement, the "Credit Agreements") that provides for an unsecured \$2.0 billion, five-year revolving credit facility that includes a \$150 million letter of credit sub-facility and a \$150 million swingline sub-facility, with available borrowings under the revolving credit facility reduced by the amount of any letters of credit and swingline borrowings outstanding from time to time. Borrowings and other amounts payable under the 2015 Credit Agreement are guaranteed by our PayPal, Inc. subsidiary. We may also, subject to the agreement of the applicable lenders, increase the commitments under the revolving credit facility by up to \$500 million.

Subject to specified conditions, we may designate one or more of our subsidiaries as additional borrowers under the 2015 Credit Agreement provided that we and PayPal, Inc. guarantee all borrowings and other obligations of

any such subsidiaries under the 2015 Credit Agreement. As of December 31, 2017, no subsidiaries were designated as additional borrowers. Funds borrowed under the 2015 Credit Agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes.

Loans under the 2015 Credit Agreement will bear interest at either (i) LIBOR plus a margin (based on our public debt ratings) ranging from 1.00 percent to 1.625 percent or (ii) a formula based on the agent bank’s prime rate, the federal funds effective rate or LIBOR plus a margin (based on our public debt ratings) ranging from zero percent to 0.625 percent. Subject to certain conditions stated in the 2015 Credit Agreement, we and any of our subsidiaries designated as additional borrowers may borrow, prepay and re-borrow amounts under the revolving credit facility at any time during the term of the 2015 Credit Agreement. The 2015 Credit Agreement will terminate and all amounts owing thereunder will be due and payable on July 17, 2020, unless (a) the commitments are terminated earlier, either at our request or, if an event of default occurs, by the lenders (or automatically in the case of certain bankruptcy-related events), or (b) the maturity date is extended upon our request, subject to the agreement of the lenders. The 2015 Credit Agreement contains customary representations, warranties, affirmative and negative covenants, including financial covenants, events of default and indemnification provisions in favor of the banks. The negative covenants include restrictions regarding the incurrence of liens, subject to certain exceptions. The financial covenants require us to meet a quarterly financial test with respect to a minimum consolidated interest coverage ratio and a maximum consolidated leverage ratio, based on our public debt ratings.

During the third quarter of 2017, we drew down \$800 million under the 2015 Credit Agreement, which was repaid during the fourth quarter of 2017. As of December 31, 2017, no borrowings or letters of credit were outstanding under the 2015 Credit Agreement. Accordingly, at December 31, 2017, \$2.0 billion of borrowing capacity was available for the purposes permitted by the 2015 Credit Agreement, subject to customary conditions to borrowing.

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, 2016, are as follows (in millions of dollars):

2018 .....	119
2019 .....	112
2020 .....	82
2021 .....	62
2022 .....	50
Thereafter .....	<u>130</u>
<b>Total minimum lease payments .....</b>	<b><u>555</u></b>

Rent expense for the years ended December 31, 2017, 2016 and 2015 totaled \$69 million, \$76 million and \$59 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 to govern the separation and relationship of the two companies going forward. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and eBay, which may be significant. 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, including our standard marketing, promotions, and application-programming-interface license (API) agreements. 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. In a limited number of agreements, we have provided an indemnity for other types of third-party claims, which are indemnities mainly related to intellectual property rights. We have also provided an indemnity to our payments processors in the event of certain third-party claims or 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, 2017 and 2016, 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 substantially all transactions completed through our Payments Platform, except for transactions using our gateway and Paydiant products. 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.

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 customer 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 provides management's estimate of the maximum potential exposure related to our protection programs as of December 31, 2017 and December 31, 2016:

	<b>As of December 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>(In millions of dollars)</b>	
Maximum potential exposure.....	165,207	131,739

The following table provides the amount of allowance for transaction losses and negative customer balances related to our protection programs as of December 31, 2017 and December 31, 2016:

	<b>As of December 31,</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>(In millions of dollars)</b>	
Allowance for transaction losses.....	266	222

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 2017, 2016 and 2015 and the consolidated balance sheet data as of December 31, 2017 and 2016 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, 2017. We derived the consolidated balance sheet data as of December 31, 2015 from our audited combined and consolidated financial statements as published in our 10-K for the year ended December 31, 2016. Both 10-Ks can be accessed as described in the section "*Documents Available for Inspection*" of this prospectus.

On July 17, 2015, PayPal became an independent publicly-traded company through the pro rata distribution by eBay Inc. ("eBay") of 100% of the outstanding common stock of PayPal to eBay stockholders (which we refer to as the "separation"). Prior to the separation, eBay transferred substantially all of the assets and liabilities and operations of eBay's payments business to PayPal, which was completed in June 2015 (the "capitalization"). In the combined and consolidated financial statements as of December 31, 2015 and for the year then ended, financial information as at dates and for periods prior to the capitalization has been prepared and audited retroactively on a stand-alone basis and was derived from eBay's consolidated financial statements and accounting records. These combined financial statements reflect our financial position and results of operations as our business was operated as part of eBay prior to the capitalization. Following the capitalization, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

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

As at March 22, 2018, the exchange rate between the U.S. dollar and the euro, expressed as euros per dollar, was \$1.00 = €0.812. 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>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	(in millions \$, except share data)		
Net revenues.....	<u>13,094</u>	<u>10,842</u>	<u>9,248</u>
Operating expenses:			
Transaction expense.....	4,419	3,346	2,610
Transaction and loan losses .....	1,011	1,088	809
Customer support and operations.....	1,364	1,267	1,110
Sales and marketing .....	1,128	969	937
Product development .....	953	834	792
General and administrative .....	1,155	1,028	873
Depreciation and amortization .....	805	724	608
Restructuring and other charges.....	<u>132</u>	<u>—</u>	<u>48</u>
Total operating expenses.....	<u>10,967</u>	<u>9,256</u>	<u>7,787</u>
Operating income .....	2,127	1,586	1,461
Other income (expense), net .....	73	45	27
Income before income taxes.....	2,200	1,631	1,488
Income tax expense .....	<u>405</u>	<u>230</u>	<u>260</u>
Net income .....	<u>1,795</u>	<u>1,401</u>	<u>1,228</u>
Earnings per share (in \$):			
Basic .....	1.49	1.16	1.00
Diluted .....	1.47	1.15	1.00
Weighted average shares (number in millions):			
Basic .....	1,203	1,210	1,222
Diluted .....	1,221	1,218	1,229



**Consolidated Balance Sheet Data:**

	2017	As of December 31 2016 (in millions \$)	2015
<b>Assets</b>			
Current assets:			
Cash and cash equivalents .....	2,883	1,590	1,393
Short-term investments .....	2,812	3,385	2,018
Accounts receivable, net .....	283	214	137
Loans and interest receivable <sup>(1)</sup> .....	1,314	5,348	4,184
Loans and interest receivable, held for sale .....	6,398	—	—
Funds receivable and customer accounts .....	18,242	14,363	12,261
Prepaid expenses and other current assets .....	<u>713</u>	<u>833</u>	<u>655</u>
Total current assets .....	<u>32,645</u>	<u>25,733</u>	<u>20,648</u>
Long-term investments .....	1,961	1,539	2,348
Property and equipment, net .....	1,528	1,482	1,344
Goodwill .....	4,339	4,059	4,069
Intangible assets, net .....	168	211	358
Other assets .....	<u>133</u>	<u>79</u>	<u>114</u>
<b>Total assets</b> .....	<b><u>40,774</u></b>	<b><u>33,103</u></b>	<b><u>28,881</u></b>
<b>Liabilities And Equity</b>			
Current liabilities:			
Accounts payable .....	257	192	145
Notes payable .....	1,000	—	—
Funds payable and amounts due to customers .....	19,742	15,163	12,261
Accrued expenses and other current liabilities .....	1,781	1,459	1,179
Income taxes payable .....	<u>83</u>	<u>64</u>	<u>32</u>
Total current liabilities .....	22,863	16,878	13,617
Deferred tax liability and other long-term liabilities .....	<u>1,917</u>	<u>1,513</u>	<u>1,505</u>
Total liabilities .....	<u>24,780</u>	<u>18,391</u>	<u>15,122</u>
Equity:			
Common stock, \$0.0001 par value <sup>(2)</sup> .....	—	—	—
Treasury stock at cost <sup>(3)</sup> .....	(2,001)	(995)	—
Additional paid-in-capital .....	14,214	13,579	13,100
Retained earnings .....	3,823	2,069	668
Accumulated other comprehensive income (loss) .....	<u>(142)</u>	<u>59</u>	<u>(9)</u>
Total equity .....	<u>15,994</u>	<u>14,712</u>	<u>13,759</u>
<b>Total liabilities and equity</b> .....	<b><u>40,774</u></b>	<b><u>33,103</u></b>	<b><u>28,881</u></b>

(1) Net of allowances of \$129 million in 2017, \$339 million in 2016 and \$233 million in 2015.

(2) 4.0 billion shares authorized; 1.200 billion, 1.207 billion and 1.224 billion outstanding as of December 31, 2017, 2016 and 2015, respectively.

(3) 47 million shares as of December 31, 2017.

On February 9, 2018, we drew down an additional \$1.5 billion under our 364-day delayed-draw term loan credit facility (the “Facility”). The borrowing under the Facility bears interest at a rate equal to 3-month LIBOR plus a margin of 1.125% (2.92% as of February 9, 2018).

On February 27, 2018, we entered into a Consent Order with the Federal Trade Commission (“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 Consent Order is subject to public comment through March 29, 2018 and to final approval by the FTC. As required by the Consent Order, we will cooperate with the FTC’s requirements and work to ensure compliance with the Consent Order. Violation of the Consent Order could result in claims or actions against us, including litigation, injunctions, or damage awards or require us to change our business practices that could result in a material loss, require significant management time, result in the diversion of significant operational resources or otherwise harm our business.

There has otherwise been no significant change to our financial condition and operating results since December 31, 2017.

## 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 disclosed in this section, 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, 2017. Except as otherwise noted for the proceedings described in this section, 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.

### 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"). The California Derivative Case was based on substantially similar allegations as the allegations underlying a putative securities class action captioned *Cho v. PayPal Holdings, Inc., et al.*, Case No. 3:16-cv-07371 (the "Securities Case"), which was filed in the Court and asserted 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. On February 8, 2017, the Court entered an order formally relating the California Derivative Case to the Securities Case and assigning the case to the same judge handling the Securities Case. On the same

day, the Court also entered an order staying the California Derivative Case pending resolution of the defendants' anticipated motions to dismiss the Securities Case. 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-HRL, 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 allege that the Company's Chief Executive Officer, Chief Financial Officer, former interim Chief Financial Officer, and members of its Board of Directors breached their fiduciary duties to the Company, violated Section 14(a) of the Exchange Act, 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, as alleged in the Securities Case, 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 consolidates these cases and appoints 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 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. That motion was heard by the Court on December 14, 2017. 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.

We have received subpoenas from the U.S. Department of Justice ("DOJ") seeking the production of certain information related to our historical anti-money laundering program. We are cooperating with the DOJ in providing information in response to the subpoenas. We are unable to predict the outcome of the government's investigation.

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 U.S. District Court for the Northern District of California 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 seeks to represent a class of shareholders who acquired shares of the Company's stock between February 14, 2017 through December 1, 2017 and seeks damages and

attorneys' fees, among other relief. 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 entering into new lines of business 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.

From time to time, we are involved in other disputes or regulatory inquiries that arise in the ordinary course of business, including suits by our customers (individually or as class actions) alleging, among other things, improper disclosure of our prices, rules or policies, that our practices, prices, rules, policies or customer/user agreements violate applicable law or that we have acted unfairly and/or not acted in conformity with such prices, rules, policies or agreements. In addition to these types of disputes and regulatory inquiries, our operations are also subject to regulatory and/or legal review and/or challenges that tend to reflect the increasing global regulatory focus to which the payments industry is subject and, when taken as a whole with other regulatory and legislative action, such actions could result in the imposition of costly new compliance burdens on our business and customers and may lead to increased costs and decreased transaction volume and revenue. Further, the number and significance of these disputes and inquiries are increasing as we have grown larger, our business has expanded in scope (both in terms of the range of products and services that we offer and our geographical operations) and our products and services have increased in complexity. Any claims or regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, settlement payments, damage awards (including statutory damages for certain causes of action in certain jurisdictions), fines, penalties, injunctive relief or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources or otherwise harm our business.

**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 February 28, 2018 (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><u>Number</u></b>	<b><u>Percent</u></b>
<i>Directors and executive officers</i>		
Adkins, Rodney C. ....	10,149	*
Auerbach, Jonathan <sup>(1)</sup> .....	190,289	*
Casares, Wences .....	14,347	*
Christodoro, Jonathan .....	15,927	*
Donahoe, John J. <sup>(2)</sup> .....	325,477	*
Dorman, David W. ....	33,391	*
Johnson, Belinda J. ....	7,435	*
Karczmer, Aaron <sup>(3)</sup> .....	23,909	*
Marino, Gary J. <sup>(4)</sup> .....	125,874	*
McGovern, Gail J. ....	12,647	*
Moffett, David M. ....	66,320	*
Pentland, A. Louise <sup>(5)</sup> .....	104,377	*
Rainey, John D. <sup>(6)</sup> .....	191,243	*
Ready, William J. <sup>(7)</sup> .....	243,760	*
Sarnoff, Ann M. ....	6,645	*
Schulman, Daniel H. <sup>(8)</sup> .....	774,242	*
Yearly, Frank D. ....	<u>17,389</u>	*
All directors and executive officers as a group (17 persons) <sup>(9)</sup> .....	<u>2,163,421</u>	*

\* Less than 1%.

- 1) Includes 61,123 shares Mr. Auerbach has the right to acquire pursuant to outstanding options exercisable within 60 days of the Ownership Date, and 57,938 RSUs scheduled to vest within 60 days of the Ownership Date.
- (2) Includes 198,513 shares Mr. Donahoe has the right to acquire pursuant to outstanding options exercisable within 60 days of the Ownership Date.
- (3) Includes 16,173 shares Mr. Karczmer has the right to acquire pursuant to RSUs scheduled to vest within 60 days of the Ownership Date.
- (4) Includes 10,806 shares Mr. Marino has the right to acquire pursuant to outstanding options exercisable within 60 days of the Ownership Date, and 65,932 RSUs scheduled to vest within 60 days of the Ownership Date.
- (5) Includes 2,037 shares Ms. Pentland has the right to acquire pursuant to outstanding options exercisable within 60 days of the Ownership Date, and 58,193 RSUs scheduled to vest within 60 days of the Ownership Date.
- (6) Includes 7,283 shares Mr. Rainey has the right to acquire pursuant to outstanding options exercisable within 60 days of the Ownership Date, and 132,958 RSUs scheduled to vest within 60 days of the Ownership Date.
- (7) Includes 24,206 shares Mr. Ready has the right to acquire pursuant to outstanding options exercisable within 60 days of the Ownership Date, and 149,285 RSUs scheduled to vest within 60 days of the Ownership Date.
- (8) Includes 246,426 shares Mr. Schulman has the right to acquire pursuant to outstanding options exercisable within 60 days of Ownership Date, and 285,647 RSUs scheduled to vest within 60 days of the Ownership Date.
- (9) Includes 550,394 shares subject to options exercisable within 60 days of the Ownership Date, and 766,126 RSUs scheduled to vest within 60 days of the Ownership Date.

## 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. Our vision is to democratize financial services, as we believe that managing and moving money is a right for all people, not just the affluent. Our goal is to increase our relevance for 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 Paydiant products, compose our proprietary Payments Platform.

We operate a two-sided proprietary global technology platform that links our customers, which consist of both merchants and consumers, around the globe to facilitate the processing of payment transactions, allowing us to connect millions of merchants and consumers worldwide. We offer our customers the flexibility to use their account to both purchase and receive payment for goods and services, as well as to transfer and withdraw funds. We enable consumers to more safely exchange funds 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 generate revenues by charging fees for providing transaction processing and other payment-related services based primarily on the volume of activity processed through our Payments Platform. We generally 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 value added services to consumers and merchants, such as our PayPal Credit and gateway services. 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 enable merchants to accept payments online with credit or debit cards.

Our predecessor company was founded in December 1998 and was acquired by eBay Inc. in 2002. PayPal Holdings, Inc. was incorporated in Delaware in January 2015 as a wholly-owned subsidiary of eBay. Paypal Holdings ultimately became the parent of PayPal, Inc. and holds directly or indirectly all of the assets and liabilities associated with PayPal, Inc. On July 17, 2015, PayPal Holdings became an independent publicly traded company through the pro rata distribution by eBay of 100% of the outstanding common stock of PayPal Holdings to eBay's stockholders (which we refer to as the "separation" or the "distribution").

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, 2017, 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, 2017. As of February 2, 2018, there were 1,200,160,405 shares of common stock issued and 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**

The commission charged by the Company's E\*TRADE broker on ESPP sales is \$19.95 per trade.

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 \$0.0000231 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.

Prior to the separation (i.e., periods up to July 17, 2015), PayPal employees participated in eBay's equity incentive plans, including stock options, restricted stock units ("RSUs") and performance-based restricted stock units ("PBRsUs"). In addition, certain PayPal employees participated in eBay's employee stock purchase plan. All awards granted under these plans consisted of eBay common shares. PayPal's consolidated statement of income reflected compensation expense for these stock-based plans associated with the portion of eBay's equity incentive plans in which PayPal employees participated.

Following separation, outstanding awards granted to PayPal employees under eBay's equity incentive plans were converted into PayPal awards under PayPal's equity incentive plans based on a conversion ratio. This conversion ratio was determined as the closing per-share price of eBay shares on the last regular trading session prior to separation divided by the opening per-share price of PayPal shares on the first regular trading session after separation. There was no significant incremental stock-based compensation expense recorded as a result of the share conversions.

## ***Equity Incentive Plans***

The Board of Directors adopted the PayPal Holdings, Inc. 2015 Equity Incentive Award Plan (the "Plan") on June 16, 2015. Under the terms of the Plan, equity awards, including stock options, RSUs, restricted stock

awards, PBRsUs, deferred stock units, and stock payments may be granted to our directors, officers and employees. At December 31, 2017, there were 79 million shares authorized under our equity incentive plans and 46 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 these plans 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.

RSUs are granted to eligible employees under our equity incentive plans. In general, RSUs vest in equal annual installments over a period of three to four years, are subject to an employee's continuing service to us and do not have an expiration date. The cost of RSUs granted prior to the separation was determined using the fair value of eBay's common stock on the date of grant. The cost of RSUs granted following separation was determined using the fair value of PayPal's common stock on the date of grant.

Certain of our employees 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 eBay's equity incentive plans generally had two-year performance periods with one-half of the grant vesting in March following the end of the performance period and the remaining one-half vesting more than one year following the completion of the performance period. In the first quarter of 2016, the Compensation Committee approved a revised structure for PBRsUs granted under PayPal's 2015 Equity

Incentive Award Plan to officers and certain employees providing services to the Company. PBRsUs granted under PayPal's 2015 Equity Incentive Award Plan have one to three-year performance periods with cliff vesting following the completion of the performance period, subject to the 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 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, 2017:

	Shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
	(in thousands)	(\$)	(years)	(\$ in thousands)
Outstanding at January 1, 2017 .....	4,288	28.65		
Granted and assumed .....	308	13.94		
Exercised .....	(1,986)	25.66		
Forfeited/expired/cancelled .....	<u>(170)</u>	<u>32.90</u>		
Outstanding at December 31, 2017 .....	<u>2,440</u>	<u>28.94</u>	4.33	111,371
Expected to vest .....	731	28.01	5.48	34,052
Options exercisable .....	1,653	29.48	3.76	74,561

The weighted average grant date fair value of options granted to our employees (including options assumed from acquisitions) during the years 2017, 2016 and 2015 was \$49.47, \$8.79 and \$11.20, 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, 2017. During the years 2017 and 2016, the aggregate intrinsic value of options exercised under PayPal's equity incentive plans was \$53 million and \$31 million, respectively, determined as of the date of option exercise. During the year 2015, the aggregate intrinsic value of options exercised under eBay's and PayPal's equity incentive plans was \$72 million, determined as of the date of option exercise. At December 31, 2017, 2.4 million options were in-the-money.

### RSU and PBRSU Activity

The following table summarizes the RSUs and PBRsUs granted under our equity incentive plans as of December 31, 2017 and changes during the year ended December 31, 2017:

	Units (in thousands)	Weighted Average Grant Date Fair Value <sup>(1)</sup> (\$ per share)
Outstanding at January 1, 2017 .....	29,185	37.06
Awarded.....	19,744	44.24
Vested .....	(10,912)	36.70
Forfeited.....	<u>(4,142)</u>	38.98
Outstanding at December 31, 2017 .....	<u>33,875</u>	41.14
Expected to vest .....	30,506	

During the years 2017 and 2016, the aggregate intrinsic value of RSUs and PBRsUs vested under PayPal's equity incentive plans was \$519 million and \$378 million, respectively. During the year 2015, the aggregate intrinsic value of RSUs and PBRsUs vested under eBay's and PayPal's equity incentive plans was \$315 million.

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 Program

In January 2016, our Board of Directors authorized a stock repurchase program that provided for the repurchase of up to \$2 billion of our common stock, with no expiration from the date of authorization. In April 2017, our Board of Directors authorized an additional 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 upon completion of the January 2016 stock repurchase program. The 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 or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. However, any stock repurchases are subject to market conditions and other uncertainties and we cannot predict if or when any stock repurchases will be made. Moreover, we may terminate our stock repurchase programs at any time without notice.

The stock repurchase activity under our stock repurchase programs during the year ended December 31, 2017 is summarized as follows:

	Shares repurchased (in millions)	Average price paid per share <sup>(1)</sup> (\$)	Value of shares repurchased (\$ in millions)	Remaining amount authorized (\$ in millions)
Balance as of January 2017 .....				1,005
Repurchases of shares of common stock for three months ended:				
March 31, 2017 .....	12.2	42.38	517	488
<i>New authorization in April 2017 of \$5 billion .....</i>	—	—	—	5,488
June 30, 2017 .....	1.8	49.41	89	5,399
September 30, 2017 .....	1.7	59.49	100	5,299
December 31, 2017 .....	<u>4.0</u>	74.30	<u>300</u>	<u>4,999</u>
Balance as of December 31, 2017 .....	<u>19.7</u>		<u>1,006</u>	<u>4,999</u>

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

These repurchased shares of common stock were recorded as treasury stock and were accounted for under the cost method. No repurchased shares of common stock have been retired.

## 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	60	Director; President and Chief Executive Officer
Rodney C. Adkins	59	Director
Wences Casares	44	Director
Jonathan Christodoro	41	Director
David W. Dorman	64	Director
Belinda J. Johnson	51	Director
Gail J. McGovern	66	Director
David M. Moffett	66	Director
Ann M. Sarnoff	56	Director
Frank D. Yeary	54	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 Inc. from March 2008 to July 2015, and was a director of eBay Inc., 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 ServiceNow, Inc. and Nike, Inc. Mr. Donahoe received his B.A. in Economics from Dartmouth College and an M.B.A. from the Stanford Graduate School of Business.

**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 also serves on the Board of Directors of Flex Ltd. and Symantec Corporation. Mr. Schulman received a B.A. from Middlebury College and an M.B.A. from New York University Leonard N. Stern School of Business.

**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), a leading manufacturer of information technologies, having served in that position from 2007 until 2014. In his over 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. Mr. Adkins received his B.A. in Physics from Rollins College and B.S. and M.S. degrees in Electrical Engineering from Georgia Tech as the Georgia Institute of Technology.

**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 Kiva.org and Endeavor Global, Inc.

**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., and Herbalife Ltd., 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 Inc., 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; and American Railcar Industries, Inc., a railcar manufacturing company, from June 2015 to February 2017, Xerox Corporation from June 2016 to December 2017, and Cheniere Energy, Inc. from August 2015 to August 2017. Mr. Christodoro received an M.B.A from the University of Pennsylvania's Wharton School of Business. Mr. Christodoro received a B.S. in Applied Economics and Management Magna Cum Laude from Cornell University. Mr. Christodoro also served in the United States Marine Corps.

**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.), a leading provider of business and mission critical communication products and services for enterprise and government customers. 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. Mr. Dorman was a director of SecureWorks Corp, an information security solutions provider and a subsidiary of Dell, from the time of SecureWorks' IPO in April 2016 until he joined the Board of Dell in September 2016. Mr. Dorman received his B.S. in industrial management from Georgia Institute of Technology.

**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., a global community marketplace which provides access to unique accommodations Prior to this, she was the Chief Business Affairs and Legal Officer of Airbnb, from July 2015, until 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. Ms. Johnson received her B.A. from The University of Texas at Austin and her J.D. from The University of Texas Law School.

**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 Johns Hopkins Medicine, and a director of DTE Energy Company, and as an advisor to The Weather Channel. Ms. McGovern received her B.A. in quantitative sciences from Johns Hopkins University and her M.B.A. from Columbia University.

**David M. Moffett** has served as a director of PayPal since June 2015 and as Lead Independent Director since July 2015. 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. Mr. Moffett received a B.A. from the University of Oklahoma and an M.B.A. from Southern Methodist University.

**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 North America, 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 also sits on the board, the operating committee and the editorial committee of BBC America, a joint venture with AMC Networks. From June 2006 until joining the BBC Worldwide in 2010, Ms. Sarnoff was President of Dow Jones Ventures and Senior Vice President of Strategy for Dow Jones & Company, Inc. Ms. Sarnoff serves on the Board of Directors of HSN, Inc. She is also a member of the board of Georgetown University as well as the vice chair of the McDonough School of Business at Georgetown. She is the vice president of the board of The Women’s Forum of New York and 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. Ms. Sarnoff received her B.S. from Georgetown University’s McDonough School of Business and her MBA from Harvard Business School.

**Frank D. Yeary** has served as a director of PayPal since July 2015. He previously served as a board member of eBay from January 2015 to July 2015. Mr. Yeary has been Chairman of CamberView Partners, LLC, a corporate advisory firm, since 2012. Mr. Yeary was Vice Chancellor of the University of California, Berkeley, a public university, from 2008 to 2012, where he led and implemented changes to the university’s financial and operating strategy; Prior to 2008, Mr. Yeary spent 25 years in the finance industry, most recently as Managing Director, Global Head of Mergers and Acquisitions and a member of the Management Committee at Citigroup Investment Banking, a financial services company. Mr. Yeary also serves on the Board of Directors of Intel Corporation. Mr. Yeary received his B.A. in History and Economics from the University of California, Berkeley.

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

The address for Mr. Casares is Xapo Inc., 364 University Ave, Palo Alto, CA 94301.

The address for Mr. Dorman is Knoll Ventures, Tower Place 200, Suite 1000, 3348 Peachtree Road, NE, Atlanta, Georgia 30326.

The address for Ms. Johnson is Airbnb, Inc., 888 Brannan Street, San Francisco, California 94103.

The address for Ms. McGovern is American Red Cross, 430 17th Street, NW, Washington, DC 20006.

The address for Ms. Sarnoff is BBC Worldwide Americas, 1120 Avenue of the Americas, 5<sup>th</sup> Floor, New York, New York 10036.

The address for Mr. Yeary is CamberView Partners, LLC, 650 California Street, 31st Floor, San Francisco, California 94108.

#### **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	60	President and Chief Executive Officer
Jonathan Auerbach	55	Executive Vice President, Chief Strategy, Growth and Data Officer
Aaron Karczmer	46	Executive Vice President, Chief Risk, Compliance and Security Officer
Gary J. Marino	61	Executive Vice President, Chief Commercial Officer
A. Louise Pentland	45	Executive Vice President, Chief Business Affairs & Legal Officer
John D. Rainey	47	Chief Financial Officer and Executive Vice President, Global Customer Operations
William J. Ready	38	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. Mr. Auerbach was the CEO of Group Digital Life at Singapore Telecommunication Limited (Singtel) from September 2014 to May 2015, where he led the company’s global portfolio of digital businesses as well as its venture fund. From 1987 through 2014, Mr. Auerbach was a management consultant and held a variety of executive roles with McKinsey & Company, a global management consulting firm.

**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. From 2013 to April 2016, he served as Senior Vice President, Deputy Chief Compliance Officer and Head of Global Financial Crime Compliance of American Express, a financial services company. From May 2011 to January 2013, he served as Vice President, Principal Compliance Leader, Enterprise Growth and Enterprise Compliance Risk Management of American Express. From September 2007 to May 2011, he served as Vice President, Financial Intelligence Unit — AML Enterprise Surveillance, Investigations & Technology of American Express.

**Gary J. Marino** has served PayPal as Executive Vice President, Chief Commercial Officer since September 2016. From July 2015 to September 2016, he served as Senior Vice President, Global Credit and the Americas. Mr. Marino co-founded Bill Me Later, Inc. in 2001 and served as its Chief Executive Officer from 2001 through November 2009, when PayPal, Inc., a subsidiary of PayPal Holdings, Inc., acquired Bill Me Later, Inc.

**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. Ms. Pentland was previously the Executive Vice President and Chief Legal Officer at Nokia Corporation from July 2008 to July 2014. 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. From April 2012 to July 2015, Mr. Rainey was Executive Vice President and Chief Financial Officer of United Continental Holdings, Inc. Mr. Rainey also served as Chief Financial Officer and Executive Vice President at United Airlines, Inc. from April 2012 to August 2015. From October 2010 to April 2012, Mr. Rainey was Senior Vice President of Financial Planning and Analysis at United Continental Holdings, Inc. Mr. Rainey also serves on the Board of Directors of Nasdaq, Inc..

**William J. Ready** has served PayPal as Executive Vice President, Chief Operating Officer since September 2016. From July 2015 to September 2016, he served as Senior Vice President, Global Head Product & Engineering of PayPal since July 2015. Prior to the separation from eBay Inc., Mr. Ready was the head of PayPal's Braintree operations from the time of its acquisition in December 2013. Mr. Ready was the Chief Executive Officer of Braintree, an online payments provider, from October 2011 until its acquisition by eBay Inc., in December 2013. From July 2011 to October 2011, Mr. Ready was an executive in residence at Accel Partners, a leading Silicon Valley venture capital and growth equity firm. Mr. Ready was the President of iPay Technologies, Inc., a payments services provider, from 2008 to 2011. Mr. Ready also serves on the Board of Directors of Automatic Data Processing, Inc.

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 2018 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 2018.

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.

### **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.

### **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 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 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. You may be entitled to a tax credit against your U.K. income tax for the U.S. federal income tax withheld if certain conditions are met, which you may apply for through your annual U.K. Self-Assessment Tax Return.

### **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 (£11,300 for the 2017/2018 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 your employer for the difference within 90 days of the end of the U.K. tax year (April 6 - April 5) or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"). The Company may refuse to deliver your shares until all such amount have been repaid or recovered.

You will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the Self-Assessment Tax Return and for reimbursing the Company or your employer, as applicable, for the value of any employee NICs due on this additional benefit, which may be recovered by the Company or your employer at any time thereafter by any of the means referred to in your ESPP subscription agreement.

## **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, 2017

On February 9, 2018, we drew down an additional \$1.5 billion under our 364-day delayed-draw term loan credit facility (the “Facility”). The borrowing under the Facility bears interest at a rate equal to 3-month LIBOR plus a margin of 1.125% (2.92% as of February 9, 2018). We expect that the funds will be used for capital allocation and other general corporate purposes of the Company and its subsidiaries. Following the drawdown, the remaining availability under the Facility is \$500 million.

On February 27, 2018, we entered into a Consent Order with the Federal Trade Commission (“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 Consent Order is subject to public comment through March 29, 2018 and to final approval by the FTC. As required by the Consent Order, we will cooperate with the FTC’s requirements and work to ensure compliance with the Consent Order. Violation of the Consent Order could result in claims or actions against us, including litigation, injunctions, or damage awards or require us to change our business practices that could result in a material loss, require significant management time, result in the diversion of significant operational resources or otherwise harm our business.

No other significant change in the Company’s financial or trading position has occurred since December 31, 2017.

### Trend Information

As of the date of this prospectus, PayPal believes that the payment landscape is continuing 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.